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REGIONAL DEVELOPMENT

BSSR Finance Minister On Budget, Republic Economic Accountability

18200263a Minsk SELSKAYA GAZETA in Russian
26 Feb 89 p 3

[Interview with B. Shatilo, Minister of Finances for the Belorussian SSR by Yu. Bekhterev of Belorussian News Agency; date and place not specified]

[Text] The arguments surrounding the concept of Belorussian cost accounting have still not abated, we are still far from defining the final program for the new economic mechanism and the work concerned with its creation has already been placed on a practical plane. The financiers were the first to follow the unbeaten path of independent management. This is understandable: The road leading to economic reforms has always been a difficult one. How under the conditions of self-financing will the republic earn and spend its own money? Our BELTA [Belorussian News Agency] turned to the BSSR Ministry of Finance for an answer to this question.

[Bekhterev] Prior to meeting with you, Boleslav Iosifovich, I read through some republic newspaper files for roughly a period of one year. And suddenly one important point was brought home in our information flow—the budget and finances generally. For one reason or another, the journalists concern themselves only with the income of enterprises or the pockets of the cooperation specialists.

[Shatilo] I admit that this inattention on the part of the press is even offensive to us. Over the past three years, you are the first press worker to set foot across the threshold of this office.

[Bekhterev] In all probability there is only one reason for this: None of are handling the intricacies of financial policy very well. Thus, as a start, would you please discuss for us in general terms the republic's present budget.

[Shatilo] For 1989, it was approved in the amount of 11.1 billion rubles. This amount consists of taxes paid by the population—0.6 billion rubles—and 4.4 billion rubles in turnover taxes. The payments of enterprises of union and republic subordination amount to 2.3 billion, with 3.8 billion rubles coming from other financing sources, including receipts from the all-union budget.

In all probability, the readers will be interested most of all in the question of whether or not the payments of union enterprises have increased with the conversion over to regional cost accounting. They have increased but not considerably. The recommendation by the Baltic republics to assign all of the taxes and withholdings from the income of these enterprises to the republic budget appears illogical to us, since the expenditures and, it follows, the opportunities of the union government

should not be made dependent upon the regions. The union budget, similar to the republic budget, must have its own stable sources for financing. The other norms for withholdings for the union fund remain as before. We do not intend to improve the well-being of people by shifting our burden to the shoulders of others. Any increases to the budget must be earned in a true fashion. And the new economic mechanism is making this possible.

In continuing our lesson in financial literacy, permit me to mention that up until recently the republic budget was actually determined by the union ministries: they dictated to us all of the principal expenditures. They could authorize the financing of certain construction projects or social programs, or they could reject them. It actually developed that those who submitted the best requests more often than not lived better.

Today the local budget volumes will be determined not by the planned expenditures but rather by the amount of earned resources. This innovation is of basic and exceptional importance! Each budget retains its own permanent income sources: taxes, the profits of enterprises and organizations and others. A plant's operations improve—an increase is noted in its withholdings, a savings is realized in maintenance of the administrative staff, fewer sick persons are admitted to the hospital—again there is an increase in the budget. True, the work would be calm and there would be no special alarm or financial risk if for some there was an end to it. Each soviet of people's deputies would bear complete responsibility for the decisions handed down. And if a particular plan turned out to be a financial adventure, nobody would have to seek reimbursement for losses, since all would be required to pay their share.

[Bekhterev] The local authorities in Bobruysk or, let us say, Borisov—cities with developed industries—certainly are in agreement with this system for forming budgets: there is someone at hand from whom they can receive rich contributions. But what would the situation be for small villages where there are no plants or factories?

[Shatilo] We puzzled over this problem for some time. And we finally found a solution. A differentiated norm for withholdings from the income of enterprises and organizations will ensure different managerial conditions for the soviets of all ranks. One soviet will be authorized to retain 90 percent of the payments for itself, while another requires only 10-15 percent for all of its needs. Thus, nobody is offended. If there is a shortage of funds from industrial enterprises, use can be made of other receipts. In Minsk Oblast, by way of an experiment, withholdings were established from farm sales of meat and milk for the rayon budgets. In this manner, we stimulated an increase in the production of goods and provided assistance to the rural areas in the form of finances.

I will not enumerate all of the types of assistance for deficit budgets, but allow me to mention only that compared to 1988 when 60 rayon budgets were receiving 92 million rubles worth of subsidies, this year help in the amount of 6.7 million rubles has been requested from us by only five local soviets. Thus the starting positions for work under the conditions of regional cost accounting will be roughly the same for all.

[Bekhterev] Boleslav Iosifovich, we are still encountering problems with our budgets. During the last session of the Supreme Soviet of the Belorussian SSR, you yourself stated that we lack more than one half billion rubles of the amount required for financing all of the measures called for in the plan. Given such a shortage of funds (amounting to 5 percent of the budget), is this not too risky a venture—launching cost accounting on an independent voyage through a stormy sea?

[Shatilo] Certainly, any imbalance in a budget makes the establishment of an economic mechanism that much more difficult. But these financial difficulties must not be exaggerated. Let us recall: during the conversion of branches and enterprises over to complete cost accounting, not everyone had a full wallet initially. Some directors immediately went to a bank to obtain credit and at the present time they have already settled their accounts in full. Quite possibly, we may have to request a loan from Moscow. This is a completely normal phenomenon for a dynamically developing economy.

The republic has large internal financial reserves. Let us take the output-capital ratio. Compared to 1986, a reduction in this ratio in the branches of material production in 1987 resulted in a decrease in national income of more than 200 million rubles. Last year, the collectives of 51 enterprises were unable to make ends meet and operated at a loss. As a result of their "efforts," the republic budget was deprived of 13.5 million rubles. And there is the above-normative supplies, uninstalled equipment and unproductive losses—the count runs into many hundreds of millions of rubles. This is live money that is lying directly at our feet. We must learn to manage everything as we have sufficient resources and funds.

[Bekhterev] Good, a soviet earns its money and forms its budget. But it can handle these matters only by glancing back at the leadership: the expenses are still being approved on high. Everything left over from last year has been distributed by Minfin [Ministry of Finance] at its discretion.

[Shatilo] Last year we had only just begun discussing the self-financing of a territory and all of the instructions remained as before. But much has changed today. Planning now is being carried out not from top to bottom, but rather from below to the top. The summary financial plans of the republic and individual regions will be achieved on the basis of recommendations by the local soviets. A decision is also being prepared aimed at

halting the removal of budgetary funds that have been left over. These funds cannot be handled by anyone without the knowledge of the soviet itself. At the same time, a fine opportunity is being created for accumulating resources for the carrying out of large-scale economic and social programs.

Generally speaking, the new economic mechanism is making money more free and active. What do I have in mind? Whereas earlier the budget could be used for purposes defined as a rule in decisions handed down by higher organs, today any soviet can spend accumulated funds at its own discretion—it is only necessary for the people involved to be in agreement. For example, a loan can be taken out or one's own funds can be transferred in the form of a loan, or cooperation in the use of money can be established among several soviets or enterprises. In the absence of an intelligent financial policy or commercial initiative, no type of cost accounting will offer advantages. It is easy to become convinced of this at the present time. We have already been discussing regional self-financing for almost a year and many governmental documents have been adopted which provide broad opportunities for initiative. But how can these opportunities be used? Not one soviet has as yet organized the issuing of shares of stock and just what is cooperation in the use of budgets—we are familiar with this only on the basis of hearsay.

[Bekhterev] Let us return once again to the norms. It is my opinion that they contain the most ambiguities. Does it not seem to you Voleslav Iosifovich that the various normatives for withholdings for the union funds for republics make it possible for some regions to take advantage of the fruits of the labor of others? This idea could scarcely have taken root in Minsk.

[Shatilo] I understand your question. I cannot say exactly who was the first to express this idea—the Minsk or Moscow economists. But I know exactly who supports it in both Minsk and Moscow. Today there are no alternatives for such a decision. To proceed in another direction is tantamount to making the rights of the Soviet people to free education, public health and other blessings, as guaranteed by the USSR Constitution, dependent upon the availability of funds among the local soviets. This is illegal and unfair. The state is obligated to ensure a definite level of social blessings for each inhabitant and the mechanism of regional cost accounting must manifest itself here with regard to exceeding this level: who works better, lives better.

If we are discussing the interests of our republic, then the governmental committee which is concerned with the problems of regional cost accounting at all levels is defending them in a very active manner. In particular, we consider as unsound the proposal to introduce mandatory withholdings of a portion of the income of enterprises of republic and local subordination for the union budget. This will lead to a considerable reduction in the income base for rayon and municipal budgets,

especially those which lack enterprises of union subordination. There are still many complications and contradictions in the financial mechanism for regional cost accounting. But it is certainly impossible to solve all problems at a table based upon even the very best theory. We must begin to work on a new basis and life itself will prompt us as to the true path to be followed for moving forward.

Economist Suggests Alternative To Separate Currency

18200263b Tallinn SOVETSKAYA ESTONIYA in Russian 21 Feb 89 p 2

[Article by I. Lebedinskiy, Doctor of Economic Sciences, Leningrad: "True Currency Or False Money?"]

[Text] Discussion materials dedicated to the problems concerned with protecting the intra-republic market, the convertibility of the ruble, the possibility of producing our own currency and others have been published on the pages of SOVETSKAYA ESTONIYA on more than one occasion. We published two articles on this subject on 18 January of this year, with the authors of one of the articles speaking out in favor of our "own" money and the others—against republic currency. As an alternative, the latter proposed a convertible monetary unit.

Let us continue the discussion on this subject.

Our vital Soviet rubles have somehow become thin and emaciated and in terms of their purchasing power resemble certain dystrophics. This is seriously hindering the national economic development of the country and the union republics based upon cost accounting interrelationships. And for the purpose of regional and intra-plant cost accounting, there is a persistent need for unified, generally acceptable and certainly non-fraudulent banknotes.

The story is told that at one time the slogan "Greet the customer with a full-weight measure" was displayed in an Odessa store by a prankster. A Soviet customer (also a producer), with the aid of financial reforms, must be met with a full-value ruble. To select the previous "form" or, if you wish, weight for a ruble, cannot be accomplished in the twinkling of an eye. The weight, suddenly suspended to the state's unsteady financial magnet, can generally be brought to a halt. A monetary crisis can ensue. One should never overlook this fact.

On 18 January of this year, in the newspaper SOVETSKAYA ESTONIYA, simultaneously with an article entitled "Our Own Money: Is There An Alternative?" the response to it was published by doctors of economic sciences P. Medvedev and I. Nit under the title "Yes, there is! It Is the Convertible Ruble." It can be stated directly that scientists attached to MGU [Moscow State University imeni M.V. Lomonosov] undertook a most difficult task—they attempted to create a concept of a sanitizing of money in conformity with regional cost

accounting. They are deserving of praise! It is only rarely, very rarely, that ideas appear for improving the financial mechanism, if of course we rule out slogan-like appeals. Any recommendations in this area that are unusually painful for society must be thoroughly thought out and discussed. We would like to concern ourselves with the latter.

The idea of convertible 10-ruble banknotes is extremely attractive. The authors who developed this idea have not tired of emphasizing the fact that the money recommended by them is not new currency. It involves the same money which we now have at our disposal. The same, but not quite. Or perhaps it would be more correct to say—not quite the same. The problem is not one of printed paper. Rather it has to do with the extent to which the money is secured. This fact is understood very well by P. Medvedev and I. Nit. And still they write about the "sameness" of the rubles.

Thus a chief consideration is the fact that the republic's national economy will be based upon two monetary parallel existing sub-systems of a true system which we will refer to as currency and which will be designated as pseudo-money in the same issue of the newspaper with a definite degree of fairness.

Something similar to this happened in history. A financial system based upon two and even several sub-systems is well familiar to us, including from practical experience. We have for some time been using extremely different types of non-cash and cash money, checks of various types, paper money and so forth. To be more exact—they coexist. Their conversion over from one quality to another is extremely complicated and contradictory. And a point which is of importance: the obstacles will by no means disappear with the passage of time, as one might expect. They are surprisingly stable.

A convertible 10-ruble note can be obtained. Difficulties are seen with respect to its growth. Will not the increase be extremely slow? The status of a rope-walker, in which the republic will then find itself—will it not stretch out for many years? Moreover, the slightest false movement—and by no means will it always be possible to prevent it—will it not turn into a financial catastrophe? In any case, it will bring about extremely undesirable consequences. Let us at least recall that it was accompanied by the closing of our special non-ruble trade stores, that is, by an extremely small change in the sale of goods for certain types of banknotes. We still lack confidence in the fact that "good" rubles are displacing the "bad" rubles.

It is also clear from the publication under review just how the convertible ruble will be "used" throughout the country: will it manifest itself in financial relationships with enterprises located in other regions? Will the Ukraine, Moldavia and the Chuvash ASSR also produce their own 10-ruble notes? Will they all be backed up by the same degree of security? Finally, how will all of these

10-ruble notes be affected by the overall inflation engendered by the non-convertible rubles? Or will it not be reflected and simply disappear? Or, generally speaking, will it fully ensure the non-convertible rubles? Can this be tolerated? On the whole, there are many questions awaiting answers!

It is our opinion that more careful thought should be given to the details of the proposed concept. Thus it is believed that on paper alone, by a flourish of a pen, it is possible to convert "all of the republic's enterprises engaged in the production of consumer goods" over to the second cost accounting model. Should we again return to the administrative-command method of control? Indeed, the enterprises would be free to make their own selection. Would this not be so? Perhaps not everyone is in such a hurry.

And the limitation placed upon enterprises by those who are engaged in the production of consumer goods appears somewhat strange. What are we to understand from this? Each plant without exception and each factory is now producing goods for the nation. Thus, does the condition apply to all Estonian industry? Let us convert it over to the second model. It is similar to an army order.

The recommendation for a "sharp and one-time reduction in the volume of state orders for union ministry enterprises located in Estonia" appears to be rather unsound. Is such an action really possible for one republic? It will indeed lead to an imbalance in extremely important union production, one which cannot be tolerated under any circumstances. The actual condition indicated is equivalent to withdrawing enterprises from union subordination. It must be written this way and not concealed.

The problem should be solved based upon our deep conviction and not by ourselves alone, nor for the sake of Estonia alone but rather keeping in mind the state as a whole. The union ministries and the ministries generally are a clear anachronism, as they create monopolies and super-monopolies, they hinder the cost accounting development of production and they are delaying perestroika. The time is at hand for rejecting the administrative-command hierarchy and converting over to an information-advisory system of administration that is based completely upon cost accounting relationships and interactions. Such an interpretation could be supported and adopted at a condition for the proposed monetary concept.

The statements by the authors of publications concerning the fact that convertible money is eliminating the problem of "profitable and unprofitable operations" are arousing serious objections. If you please, the primary reason for the profitability or non-profitability of a product, part, work or technological operation is first of

all imperfect setting of norms. For it is here that we find the root of the evil. And a cheap ruble is a factor which tends to level off operations. It requires more discussion but in another context.

Even more vague is the manner in which the authors intend to raise the reliability of equipment by means of a full value ruble. As is generally known, the reliability of a machine tool, press or machine is a computed value which is dependent upon hundreds of factors. But convertible money is not included among them. Another consideration is the fact that a 10-ruble note (more healthy than dystrophic) can and must stimulate a better and more efficient use of equipment. And on this basis it must lengthen its service life. But this is by no means the reliability which is under discussion. It is correct to say that the stronger and more stable the 10-ruble note, the greater will be the material interest in retaining the available means of labor.

In conclusion, permit me to ask the question as to what the situation would be if the rubles discussed by P. Medvedev and I. Nit (and indeed they are no different than those in use today) were to be issued in another color, or if an additional trading sign appeared on them? These rubles, in terms of their usefulness, would be more like the jubilee gold and platinum money which we issued not too long ago. We are all aware that they exist. But almost nobody has any of this money. And there are many who have never even seen it. By avoiding the designations for and the publicizing of the new money, we at the same time avoid their introduction into the national consciousness. The latter is generally fraught with unforeseen consequences. "Secrecy," as a rule, encourages all possible rumors and hyperbole and produces adverse effects. Indeed, nobody will know if his hands hold true currency or false money.

In resuming this discussion, I would like to state that P. Medvedev and I. Nit performed a useful service. They forced us to think. And this is always wonderful! Nevertheless, a need obviously exists for a thorough and multiple-plan discussion of their concept. Further scientific analysis is needed of the recommendations made by the Institute of Economics of the Academy of Sciences of the Estonian SSR. New ideas are needed.

Economist on Prospects for GSSR Full Economic Accountability

*18200257 Tbilisi ZARYA VOSTOKA in Russian
31 Jan, 1-2 Feb 89 p 2*

[Article by Yefim Shmerling, scientific associate, Scientific Research Institute of Economics, Planning, and Management of the National Economy, GSSR Gosplan (NIIEPU): "Economic Independence or Self-Management?"]

[31 Jan 89, p 2]

Greater Economic Diversification Urged

[Text] The demands of the day confront republic economists with a number of entirely new tasks. First, it is necessary to give a proper orientation to people who are

not versed in economics, who are still less knowledgeable about complex issues that are vexing even to specialists, to help them to get their bearings in the flow of new economic ideas appearing in the literature, including ideas that are beamed at the broad readership, and to learn to think in economic categories. Second, to organize feedback consisting in the fact that ideas expressed by non-economists will be studied, conceptualized, and developed by economic science.

Here it is extremely important not to relate to statements of people in other professions, including those that are remote from economics, like a condescending uncle slapping the shoulder of a foolish child.

At the present time, the idea of regional economic accountability is of the greatest interest. The elaboration of this idea—first in theoretical and then in practical terms—began in Estonia and was then taken up by other Baltic republics.

This term is very frequently associated with the idea of a republic's economic independence. It is very important to understand the precise meaning of regional economic accountability and its relationship to other terms: self-reliance, self-management, self-financing, and self-support of a union republic.

Let us discuss the context in which the term "economic independence" is applied to states (until recently this term has not been applied to union republics) and the kind of associations it evokes.

It should be noted economic independence is usually understood as follows: the state itself produces the larger part of goods and services, of types of products that are imported and can be easily produced by the state. Foreign trade and foreign relations in the area of finance, science, and technology transfer play an auxiliary role in economic development. The Soviet Union has striven for just this kind of economic independence starting in the twenties because of political reasons and hostile encirclement.

As we see, in this case the term "economic independence" is equated with self-support and autarky, but practically with self-isolation. We note that for small and underdeveloped countries, the consequences of such economic independence are lag in economic modernization and the perpetuation of economic backwardness. Examples: China in the sixties, Albania from the sixties to the eighties, and Burma from the sixties to the eighties.

It is our deep conviction that such a path is absolutely unsuitable for a union republic, especially for such a small republic as Georgia which would find it difficult and even impossible to produce most of the goods it needs for its own consumption. Because of its limited economic potential, it should specialize in several branches whose potential for development is auspicious.

Economic independence is occasionally understood to mean not independence of the outside world in general but the existence of a large number of trade partners, the total defrayal of costs by own income, the availability of large reserves convertible currency, and the absence of heavy indebtedness. Economic independence in such a case is manifested in the fact that on the one hand each of the basic products comes from many sources, which means independence of each individual partner, on the one hand, and in the lack of need to borrow, to call upon other countries for assistance.

Economic independence in this sense obviously presupposes healthy economic development based not on the development of foreign economic relations but rather through active participation in the international division of labor. The majority of countries—both developed and developing—are presently striving for such economic independence. An example of the striving for economic independence in this sense is the decision of the Federal Republic of Germany to buy no more than five percent of its gas from any one country so as to protect itself against contingencies (political crises, etc.) that might have a destabilizing impact on the economy.

Our republic can and should strive for economic independence in the sense of expanding and diversifying its economic relations. The radical reform that is in progress throughout the nation creates the prerequisites for the free development of foreign relations, including foreign economic relations. At the same time, the republic can attain economic independence only through its own efforts because independence presupposes the rejection of reliance on external sources of financing and practically entirely excludes expenditures that are not defrayed by own income.

The republic's attainment of economic independence will require long, persistent efforts, in the first stage, on the part of scientific institution. It will be simply necessary to develop a system of measures that will enable the republic to make the transition to economic accountability.

In our opinion, this system of measures should make provision for the structural restructuring of the republic's economy with the aim of making it products competitive in terms of quality and production cost and of securing sufficient republic budget revenues to realize the social goals confronting the republic. The draft of the Basic Directions of Economic and Social Development of the Georgian SSR up to the Year 2005, which was developed by the NIIEPU, does not take into account the necessity of converting the republic to self-financing in the future. In this connection, it will be important in the near future to begin developing a system of measures supporting the prerequisites for making the transition to self-financing. It is also necessary to examine and compare alternate variants.

The program of preparing the republic to make the transition to self-financing should be drafted by several groups of specialists working independently of one another. We should think about the organizational mechanism behind the creation of such groups. Possibly, economic scholars working at scientific research institutes and in educational institutions should be formed into temporary scientific collectives for the purpose of developing alternate conceptions of the development of the Georgian economy. We should then organize broad discussion of alternate variants with the participation of all the republic's economic scholars.

[1 Feb 89, p 2]

Self-Rule to Precede Self-Financing

[Text] The program of additional preparatory work approved by the GSSR Council of Ministers in connection with the conversion of the GSSR to full economic accountability and self-financing provides for the elaboration of a number of scientific topics that may serve as the basis for compiling the program for the conversion of the republic to full economic accountability.

This relates first of all to the formulation of the GSSR's consolidated financial balance. Up until recently, it has not been compiled for the *ex post* period. It is therefore impossible to estimate precisely the resources that the Georgian SSR has at its disposal (the reference is to the earnings of enterprises situated in the Georgian SSR) and to determine whether these resources are sufficient for the satisfaction of social needs, for the modernization of the production potential, and for making necessary payments to the union budget.

The corresponding statistical accountability is available only for the economy that is within the jurisdiction of the republic council of ministers. The formulation of the consolidated financial balance for the Georgian SSR will make the transition to the next stage possible on the basis of the forecast of the general volume of financial resources based on the prospective development of the republic's economy and planned structural changes and to formulate a specific, long-term program of transition to self-financing. Economic strategy must be evaluated from the standpoint of its financial consequences. We must obtain a precise answer to the question: do the indicated measures provide the republic with the financial resources required to make the transition to self-financing and what period of time will be required to do so?

In the process it is necessary to proceed from the premise that as a result of the reform of price formation as well as the expansion of foreign economic relations that presuppose the convertibility of the ruble, USSR internal market prices will approximate world prices.

Without going into detail, I can note that according to very rough estimates by GSSR Gosplan's NIIEPU, preparations for the transition to self-financing will take a considerable time—at least 15 years. And even this with the condition that despite the considerable inertia of economic processes it will be possible to carry out structural changes and economic modernization in the most energetic way.

If the creation of prerequisites for self-financing takes time—considerable time, the conversion of the republic to self-management can and should take place in the very near future. It does not require a high level of economic development and is in keeping with the logic of the economic reform that is in progress in the nation, which will inevitably lead to the restriction of the role of union ministries and to the corresponding expansion of the rights of enterprises and regional organs of management. It should be noted in particular that the increase in the republic's role in economic management should not be as a result of the transfer of the functions of union ministries in managing enterprises situated on its territory to the republic. The tasks of republic management organs should consist primarily in creating optimal conditions in the sense of the development of the infrastructure and in supplying skilled manpower. At the same time, since the republic possesses considerable financial resources, it will be able to develop the economy in the required direction while creating conditions for the accelerated modernization of the production potential and stimulating the creation of enterprises in branches that will be given priority.

The republic's conversion to self-management will be based on the conversion of enterprises (associations) to full economic accountability and self-financing. The practical implementation of decisions adopted regarding this question will be followed by new steps in the area of restricting the functions of ministries and expanding the rights of enterprises.

In addition to this there will be changes in the forms used in the compilation of republic and local budgets. Their interrelations with the union budget will be simplified. Unnecessary transfers of funds to the union budget that are later returned to the republic through other channels will be eliminated.

At the same time, in the given stage there can be no discussion of no longer calling for funds from the union budget. The discussion can only center on bringing order to and simplifying interrelations between republic and union budgets.

The sooner the republic is converted to self-management, the sooner prerequisites for self-financing will be created. The task of the next few years is to introduce self-financing principles at the enterprise level; to reform the budget system (including both republic and local budgets), and to create a scientific reserve for subsequent steps in the direction of full economic independence.

Republic self-management presupposes the independent determination of its role in both the all-union and international division of labor, including the free development of economic relations with capitalist countries. One may ask: is this relevant for Georgia considering that the level of development of its industry and agriculture is clearly insufficient to allow it to produce products that would be competitive in the world market?

The idea of creating a republic monetary fund and of directly satisfying the needs of the population and the national economy for imported goods and equipment is very alluring. But the question arises: is the republic capable of securing the receipt of convertible currency in a volume that would make it possible to speak about the desirability and possibility of making the transition to cost recovery based on foreign currency?

The answer to this question follows from the geographical location of the Georgian SSR, its extremely rich cultural potential, its natural conditions, and the particulars of its historical development. All this creates the most favorable potential for the development of the tourist industry with particular emphasis on tourists from Western Europe.

In this regard, we should call attention to the fact that in the foreseeable future, Georgia will become the only Soviet republic, with the exception of Armenia, that borders on the European community—the largest economic grouping in the modern world. This will happen after the projected entry of Turkey, our neighbor to the south, into the Common Market, and this makes it entirely natural for the republic to establish direct ties with EEC firms and to create free economic zones [SEZ's] in a considerable part of Georgian territory.

A free economic zone or a free enterprise zone is an area that has full economic independence and special legal status, which has special customs and tax laws, and which has its own organs of power and self-government. The free economic zone will make it possible to secure the most favorable opportunities for creating joint enterprises with Western firms.

[2 Feb 89, p 2]

Role of Free Economic Zones Considered

[Text] The work of all enterprises created within the zone is based on the principles of complete economic independence in the formulation of production programs, in the search for markets, etc. SEZ enterprises are reliably protected against administrative dictates and bureaucratic red tape.

The People's Republic of China has a wealth of experience in establishing SEZ's, having begun to do so 10 years ago. The results are very encouraging. Existing SEZ's have been successful in attracting large capital investments, which have promoted rapid economic

growth based on the use of the most progressive management techniques and methodologies. The living standard has dramatically improved. At the present time, China is continuing to create new SEZ's that are very large in both area and population size.

Only a few years ago, the idea of establishing free economic zones in the USSR would have seemed to many to be a matter of the distant future. However, this idea is now being implemented in practice in connection with unprecedented decisions on reforming foreign economic activity.

The establishment of SEZ's means that in addition to expanding the rights of enterprises (associations) in foreign economic activity, regional organs of management—krays, oblasts, and republics faced with the task of formulating and implementing their own foreign economic strategy—will actively participate in it.

Work is presently under way to establish a free enterprise zone in the Soviet Far East. Not so long ago the USSR Council of Ministers adopted a decree establishing a special "regime" for joint enterprise in the Far East. The tax break is increased to 3 years, profit taxes of joint enterprises have been lowered, and taxes on foreign investors' profits transferred abroad may be lowered or altogether abolished for a certain period of time. The Odessa Oblispolkom has applied to the USSR Council of Ministers to establish a SEZ in Odessa Oblast.

When adopting a decision on the feasibility of establishing a SEZ in a certain region, its geographical location and natural-climatic conditions should be considered first of all. Most free zones in the world are located on the seacoast. From this point of view, in addition to the Far East and the Baltic region, most favorable conditions for establishing an SEZ exist on the Black Sea coast, in particular, in our republic. And its natural and climatic conditions are highly favorable to the development of tourism.

Beyond a doubt, foreign firms will be eager to invest in the development of resort zones in Georgia—in the construction of hotels, guest houses, and campgrounds. This is attested to by the experience of negotiations with foreign partners even though it is unfortunately as yet modest. The republic will have a wide choice of proposals and will be able to select the best on a competitive basis.

Side by side with tourist firms, in SEZ's joint enterprises will be established that are oriented toward satisfying the needs of tourists (in particular, the production of souvenirs) and the needs of the republic population for high quality consumer goods.

The republic's council of ministers will be one of the founders of the zone. Its decision must be approved by the Supreme Soviet. It will select the best of the proposed projects. In the process, special attention will be devoted

to ecological purity and a wastefree environment. The republic council of ministers will receive a substantial part of the foreign currency earnings of joint enterprises, which will make it possible for the Georgian SSR to make the transition to cost recovery in the realm of foreign currency (at the present time, republic imports significantly exceed exports). In our opinion, the USSR Council of Ministers is very favorably disposed toward the idea of establishing a SEZ in the republic.

In recent years, the country's foreign currency receipts have declined as a result of declining prices on oil—the principal item of Soviet export. Therefore if the republic is able to secure the necessary funds for equipment purchases and social objectives, this will make it possible to renounce the purchase of foreign equipment from centralized funds.

The benefits to the republic from cost recovery in the area of foreign currency are also obvious. After all, the foreign currency has been "earned" by the republic, will be used at the republic's discretion for the development of branches that satisfy to the maximum the republic's needs, that raise the standard of living, and that will also be used for social goals—for example, the purchase of equipment for medical institutions. It is important that foreign currency income accumulated in the republic be used thoughtfully and purposefully in the interest of securing quality, structural changes in the economy.

Convertible currency that goes to the general republic fund will make it possible to modernize light and food industry enterprises and agriculture with the use of imported equipment, to expand deliveries of high quality products to other union republics and for export.

In the first stage after the SEZ has been established, primary attention will be devoted to building infrastructure projects together with Western firms—roads, communication institutions, sports facilities, and recreational places, thereby making it possible to create the necessary prerequisites for the mass influx of tourists from European countries. This will not only provide the republic with foreign currency but will also give impetus to the rapid development of the cooperative sector which is oriented toward providing tourists with all the necessary goods and services.

At the present time, the possibility of establishing a SEZ in Georgia is being studied but the general public does not as yet participate in the discussion of these problems. It would seem that the decision on this question, which is very important to the republic, should not be arrived at secretly. We hope that businesslike proposals on the establishment of a SEZ in the republic will not be long in forthcoming.

Questions relating to the development of the national culture, to the careful treatment of historical monuments, and to the protection of the environment take on a new ring in this regard. Within the framework of the

proposed strategy, it should be recognized that the rich history of the Georgian people and its culture, which has won worldwide recognition, are capital, in the narrow sense of the word, that can bring economic gain.

From the standpoint of the historical perspective, if the republic adopts the proposed strategy, the contradiction between plans for industrial construction projects and the need to preserve clean forests, bodies of water, and villages at the site of industrial construction projects is automatically eliminated. The strategy must be to develop production that will make it possible to avoid adverse consequences for the environment, that will not contradict the interests of development of agriculture and tourism.

Attention should be focused on the analysis of various models of the republic's full economic accountability. It is important to evaluate the degree to which specific forms and methods of regional economic accountability correspond to the task of accelerating economic development, scientific-technical progress, and consequently, the solution of social problems.

The conceptions of regional economic accountability advanced in the Baltic republics and the proposals in these republics' press should be approached from this point of view. A number of points contained in them contradict the interests of development of market relations and the expansion of the independence of the enterprise, and presuppose the creation of needless obstacles on this road. Included among them are the ideas of introducing a republic monetary unit, an emissions bank, the unjustified expansion of the republic's rights in the area of price formation, the transition to economic interrelations between republics on a commodity exchange basis, and the thesis of republic "self-support." These proposals correspond to the autarkic interpretation of economic independence.

Let us discuss the proposal to institute the republic's own monetary unit. What about republic enterprises that are interested in selling their products in other republics on a contractual basis? They of course need a monetary unit that is uniform throughout the entire country and the broad application of contract prices.

As regards foreign economic relations, the convertibility of the ruble will create all the necessary prerequisites for giving the enterprise direct access to the foreign market. At the present time, there is discussion of the creation of a uniform currency for countries in the European Economic Community in the interest of accelerating scientific and technical progress. This requires a market comparable in scale to U.S. and Japanese markets, without any duty barriers and restrictions imposed by the existence of a multitude of currencies.

In this regard, considering the fact that countries in Western Europe are ready to abandon their own currency, the introduction of individual monetary units in each of the 15 union republics seems unfeasible and incomprehensible.

We should also carefully analyze proposals advanced in the Baltic republics concerning regional economic accountability from the standpoint of their correspondence to the specific interests of our republic that are conditioned by its geographical location, its traditions, level of development of its productive forces, the branch structure of its economy, the financial status of its enterprises, etc. This is why there is the question of the need for an in-depth study of various conceptions of regional economic accountability, of ascertaining the content of the points contained in them—points that are unquestionably acceptable and useful as well as points that are theoretically erroneous; points that are useful for all republics and points that consider only the specific features of certain of them. Finally, we must set forth our own proposals.

The economic independence of the republic, naturally not understood in the autarkic sense but in the sense of full economic accountability, of independence in the formulation and implementation of economic policy, of free development of economic relations both with other republics and with foreign countries on the basis of commodity-monetary relations without any administrative barriers—this is not a mirage but a real goal, the attainment of which will require considerable efforts on the part of all the republic's citizens. Cockiness, undue haste, leapfrogging essential stages, etc., are out of place here, but passivity is also inadmissible. Work in this direction has already begun and everyone who is not indifferent to Georgia's future must join in.

Sakalauskas on Local, State Understanding of Regional Khozraschet

18200205a Vilnius SOVETSKAYA LITVA in Russian
18 Jan 89 pp 1,3

[Interview with Vitautas Sakalauskas, chairman of the Lithuanian SSR Council of Ministers, by unnamed ELTA correspondent]

[Text]

[Correspondent] On 7 January, you, along with Algirdas Brasauskas, first secretary of the Lithuanian Communist Party Central Committee, and Bronislovas Zaykauskas, Central Committee secretary, participated in the meeting of the Presidium of the USSR Council of Ministers dedicated to the problems of regional khozraschet [cost accounting]. Tell us briefly what questions were examined at the meeting.

[Sakalauskas] I want to remind the readers that the Baltic republics have repeatedly made proposals on the improvement of the management of the national economy of the republics and their self-administration as well as on the expansion of independence. This work was

activated especially during the course of the preparations for the 19th All-Union Party Conference and implementation of its positions. On 31 January 1988, the USSR Council of Ministers entrusted a working group with the preparation of proposals on the transition of the Baltic republics, Belorussian SSR, Tatarskaya ASSR, Sverdlovsk Oblast and Moscow to khozraschet. Many studies were carried out and the opinion of the republics was revealed. Because these matters are rather complex, the Government of the USSR established a commission for the preparation of a common concept of khozraschet. This commission includes representatives of the Gosplans of all republics, scientists and representatives of union departments.

Thus, the meeting of the Presidium of the USSR Council of Ministers examined the commission's report on the work that has been done and proposals on questions involving the restructuring of the leadership of the economic and social areas in the union republics on the basis of self-administration and self-financing.

[Correspondent] What is the fate of the republic khozraschet concept prepared by Lithuanian scientists and specialists and how was it taken into account in the development of an All-Union concept?

[Sakalauskas] The work to prepare a khozraschet concept for our republic was not in vain. In the first place, the concept was presented to all members of the commission. That means that the commission knew what we are striving for. In the second place, it was a clear and specific point of reference for the representatives of the republic, under which it was possible to evaluate the proposals of other republics and the principles formulated by the commission more critically and objectively. Thirdly, no one rescinded or countermanded our concept and we will continue to be guided by it, striving toward the economic independence of the republic.

[Correspondent] Could you describe what distinguishes the general principles of the concept of the USSR governmental commission from the concept prepared in the republic?

[Sakalauskas] There are many differences. Above all, the proposals of the union commission do not cover the "khozraschet" concept comprehensively. I will enumerate several basic aspects

Our concept accentuates the state property of the republic (land, its mineral resources, water, forests, etc.), whereas the proposals of the union commission emphasize that this is the property of the state as a whole. Hence the many differences with respect to the management of property: there is no complete renunciation of the departmental subordination of enterprises and it is planned to leave some enterprises and systems such as railroad, air and maritime transport and others subordinate to union departments.

Although they advocate the consistent observance of the Law on the State Enterprise (Association) and the defense of the rights of enterprises, it is not possible to establish a free socialist internal market—which is essential under the conditions of full *khozraschet*—without renouncing the departmental subordination of enterprises, if compulsory state orders and control figures are retained and the ceilings and stocks of physical resources are distributed centrally.

In the transition to market relations, the republic's concept provides for the possibility of introducing a new monetary system. It appears that no one has any doubts about the necessity of improving this system in the country. Unfortunately, the materials presented to the commission do not even mention this.

There are also several differences in the formation of the budget, the setting of taxes, and the regulation of the credit system and prices.

[Correspondent] It is clear from such a definition of principles that in the current stage the republic is still not obtaining economic independence. But what would the republic achieve if the mentioned principles were implemented?

[Sakalauskas] You will agree that the problems of *khozraschet* and independence are very complex and we will not resolve them at once. We certainly would be doing ourselves harm to break abruptly with the established economic ties between the republics. In particular because in many republics they are not yet giving serious thought to new methods of management. At the current level of our production and quality of output, it is also as yet unrealistic to dream of a broader external market. For this reason, the process of *khozraschet* will have to be implemented gradually and in discrete stages.

That which can be done in relying on the developed common principles should be seen as the first step in this direction. In this stage, there must be a significant expansion of the administrative rights of the republic and of the national economy under its authority. It is planned to make such sectors of union-republic subordination as light industry, the agro-industrial complex, the construction materials industry, the timber and pulp industry, and trade subordinate to the republic. It is planned to transfer many specialized enterprises of union subordination that produce consumer goods to the republic.

It is obvious that for the first time it was proposed that the extradepartmental status of enterprises be legislated. Such enterprises already exist in Leningrad and Moscow but these are just the first steps. By taking advantage of this possibility, some of the enterprises of union subordination operating in our republic could be freed of their departmental dependence.

In a few years, the enterprises of republic subordination must produce 60-70 percent of the industrial output (instead of 11 percent at the present time). The republic will manage the entire social sphere and nonproduction infrastructure. Here we are becoming the true masters of the situation. We will resolve all management questions in the subordinate national economy: set up administrative authorities and their structure and determine the number of workers and size of expenditures for their support. No one will any longer give orders to Lithuania in this area.

It is planned to extend the rights of the republics in planning which consumer goods are to be produced in what quantity and what services provided. Without exceeding the limits of the existing financial and material resources, the republic will independently resolve questions in the construction of production facilities of the subordinate economy, apartments, and facilities in the production and social infrastructure. It will be possible to build new enterprises of union subordination in our territory only in agreement with the republic. We will have significantly more rights in the resolution of matters involving labor, wages and social security.

We ought to stress still another important factor—the growing responsibility of the republic's leading authorities for the satisfaction of the needs of the people. Previously we mainly counted expenditures and then came to an agreement in the USSR Ministry of Finance what income we would receive. The situation will change under the new management conditions: essentially we will establish the budget ourselves and we will determine expenditures in accordance with income. A very complex mechanism has been outlined for the establishment of the budget. But one thing is clear: to increase the budget, everyone will have to work better. Then we will have more resources to satisfy all of our needs.

[Correspondent] You and Algirdas Brazauskas, first secretary of the Lithuanian Communist Party Central Committee, spoke at the meeting of the Presidium of the USSR Council of Ministers. What were the basic ideas of your speeches?

[Sakalauskas] I would like to point out that among the first secretaries of the Communist Party central committees of the republics only Comrade Algirdas Brazauskas participated and spoke, and this is not very customary in the Presidium of the USSR Council of Ministers. Algirdas Brazauskas expressed the public opinion in the republic on this matter and explained in more detail what we want in striving for *khozraschet* and what this *khozraschet* can give to the inhabitants of the republic and of the country as a whole.

I had the occasion to analyze the specific contradictions between the union concept and the one that we worked out. Our proposals were presented to the USSR Council of Ministers in a written form as well. I will name the most important of them.

In the first place, property questions. I declared that there is no way that the people of Lithuania can understand why the land where they have lived for ages, its riches, water and so on cannot be the property of a sovereign republic. Unfortunately, this position of ours did not find support.

We put forward demands that all specialized enterprises of union subordination producing consumer goods be made subordinate to the republic, regardless of how complex these goods may be. For in our time it is difficult to find a commodity whose production would be technically simple and not require cooperation and so on. Finally, we proposed permitting the enterprises of union subordination to decide themselves whether or not they want to have extradepartmental status and that this not depend upon the "good" intentions of the ministries.

The establishment of the budget evoked the most discussion. It is planned in the proposals worked out by the union commission for all the enterprises to transfer a certain proportion of payments to the union, republic and local budgets. In our view, this system is clearly inadequate and therefore we proposed that all payments be transferred to the republic budget and that the relationships with the state budget of the USSR be regulated in a centralized manner. But this proposal of ours will hardly be accepted. They justify this by the fact that enterprises in other countries also pay federal and local taxes.

We objected to the proposed system for banks and the accumulation of credit resources. Today it has become the practice (which they are trying to legislate) for the central banks to take the accumulated credit resources in the republic and subsequently the republic must request these resources from them. It is our conviction that the republic Council of Ministers must have full control of the credit resources arising in the republic and independently implement a credit policy. We called for the transfer of all specialized banks to republic subordination. Other proposals were made for the improvement of planning, the system of currency deductions and so on.

In this connection, I would like to add that the republic's leadership greatly values the contribution of our scientists and public figures to the development of the concept of economic independence, in accordance with the criticism about the excessively slow implementation of *khozraschet*. But we cannot agree with the opinion of some economists and scientists that the republic's leadership naively believes in promises, is still indecisive and is conniving with the "center." Reality shows something else.

[Correspondent] It would be interesting to know the opinion of other republics about regional *khozraschet*. Does it differ from ours?

[Sakalauskas] Yes. And significantly. Lithuania, Latvia and Estonia have gone far forward here, have their own concepts and, relying on the *khozraschet* concept, are pursuing maximum objectives. Meanwhile, representatives of the Ukraine, for example, have generally advised against hurrying, saying that one should wait for price reform and then one can discuss the matter. Unfortunately, our neighbors in Belorussia have an analogous opinion. The republics of Central Asia and the Kazakh SSR feel offended, because they supply raw materials and not final products, the value of which is higher.

Thus, the republics do not have the same interest in a transition to new conditions and the decision is not predetermined by the opinion of the three Baltic republics.

[Correspondent] Some comments and constructive proposals were made at the meeting. Is it proposed that the public be informed about an improved draft of common principles?

[Sakalauskas] The draft of common principles developed by the commission is being improved continuously after the meeting of the USSR Council of Ministers. The commission, in which Lithuania is represented by Bronislovas Zaykauskas, secretary of the Lithuanian Communist Party Central Committee, and Vitautas Sharka, deputy chairman of the Lithuanian SSR Council of Ministers and chairman of Gosplan, is continuing its work. At the meeting of the Presidium of the USSR Council of Ministers, they advocated publishing these principles for public discussion.

[Correspondent] When it is planned to begin to implement the developed principles?

[Sakalauskas] It is planned to prepare the corresponding law on the basis of the discussed principles. This requires a certain amount of time. It was proposed to shift to the new conditions in 1991, that is, after the conclusion of the current five-year plan in the old way. And still another characteristic feature: it is proposed that all of the republics convert to these conditions at once. I want to remind you that we expressed the desire to shift to these conditions in 1990. In addition, it was categorically stated that, taking local circumstances into account, one should work out not one but various versions of self-administration and self-financing. Everyday practice would choose the best and most effective of them. But this opinion was not supported either.

[Correspondent] What is the next program of the republic's leadership, proceeding from the developed principles, to achieve maximum economic independence for the republic?

[Sakalauskas] In the future as well, we will persistently strive for the acceptance of our proposals. Secondly, we will demand that we be permitted to shift to the new conditions at the beginning of 1990, for it is in that year

that the indicators for the 13th Five-Year Plan will be established. By getting to work earlier, one can prepare more realistically for the following five-year plan.

Finally, it is necessary to take advantage of all the possibilities presented by the new principles. And right away, without waiting for anything. It is necessary to establish intersectoral state associations more expeditiously. In our republic, obviously, the first such association can be established for the production of television and household equipment. Thought needs to be given to others as well. We will do everything possible to see to it that enterprises of union subordination are turned over to the republic or obtain extradepartmental status.

The main and most important task remaining, of course, is to achieve complete economic independence based on the concept developed in the republic. We have not and will not put our hopes on the union ministries and departments easily renouncing their own dictates. The apparatus is holding on tightly to a policy of centralism. It is not difficult to understand this. But stranger is the fact that many renowned economists of the country who do not understand or do not want to understand the basic principles of the khozraschet concept of our and other Baltic republics are dancing to the tune of the bureaucracy of many millions. Articles have appeared in the union press asserting that the republic khozraschet will destroy the unified national economic complex of the country and that this will lead to isolation and separation. We are not renouncing the All-Union market but are only striving to guarantee a realistic rather than an imaginary sovereignty of Lithuania within the USSR.

[Correspondent] What do you see as the next tasks of the republic's scientists, economic departments and the soviets of people's deputies in preparing for the transition to work under the principles of self-administration and self-financing?

[Sakalauskas] There is enough work for all. Thus the republic's scientists along with the Lithuanian SSR Goskomstat [State Committee for Statistics] should carefully analyze our inter-republic ties and make suggestions for their improvement. I recently had occasion to familiarize myself with the estimates made by Goskomstat for the import and export of output in 1987. It is clear from them that the importation of output into the republic exceeds its exportation by almost 1.1 billion rubles and this difference is increasing every year. If this sum is assessed in world-market prices, then (according to the calculations of USSR Goskomstat) it would exceed 3.5 billion rubles in foreign exchange. I think that the mentioned figures are disputable because of the inadequate methodology and do not correspond with reality. These questions need to be investigated thoroughly, for this frequently is the basis for us being called dependents.

A great responsibility rests on the financial authorities, who need to assess possible income objectively and accurately, for that assessment is to be used in establishing planning indicators and in projecting the increase in the well-being of the population. Certainly other departments will also have much to do.

Cities and rayons must be given considerable independence. It is not entirely clear to this day how the city and rayon economy will be carried on and what stable principles will be the basis for the establishment of local budgets. The executive committees of cities and rayons also must now analyze how their financial affairs will be put together, for it will be necessary to live on earned resources.

There is much to do, time is passing quickly and there must be no delay in a single link. In short, in expanding democracy and glasnost and in talking about economic independence, each of us is primarily obligated to work conscientiously and responsibly at his own job.

MSSR Official Discusses Preparations for Regional Khozraschet

18200205b Kishinev SOVETSKAYA MOLDAVIYA in Russian 25 Jan 89 p 2

[Interview with V.G. Kutyркиn, deputy chairman of the Moldavian SSR Council of Ministers and chairman of the republic Gosplan, by ATEM correspondent O. Grabovskiy: "Moldavia Is Preparing for Self-Financing"; date and place not specified]

ext] *The problems of regional khozraschet [cost accounting], to which the republic is preparing to convert, are evoking increased interest both among scientists and specialists as well as among people who are not versed in this area. And this is understandable. For the prospects for the economic independence of the region affect the entire Moldavian population of 4.2 million and each of its inhabitants. The goal of the conversation of the ATEM correspondent with V.G. Kutyркиn, deputy chairman of the Moldavian SSR Council of Ministers and chairman of the republic Gosplan, is to meet this interest.*

[Grabovskiy] Vladislav Georgiyevich, explain to the readers, please, what regional khozraschet and self-financing mean.

[Kutyркиn] It seems to me that first of all one must specify that khozraschet is an economic category relating to the production of goods. Therefore, it is acceptable only in relation to enterprises producing material values and creating national income that serves as the basis for the development and well-being of the society. As for regional khozraschet, about which much is now being written and said, this primarily involves the self-administration and self-financing of some specific territory—village, rayon, city, oblast, kray or republic. Each of them functions under the conditions of the broad democratization of the management of the national economy but

they are primarily developed through earned funds. In other words, the well-being of the people depends directly upon the level and efficiency of production and the final results of the work of all enterprises and organizations located in a given territory.

[Grabovskiy] What is fundamentally new about territorial self-financing?

[Kutyркиn] It certainly should be stressed that the rights of regional administrative authorities are expanded significantly and simultaneously they have increasing responsibility for the social and economic development of the territory and the satisfaction of the essential needs of the working people. At the same time, the center retains responsibility for the determination and implementation of an internal social and economic strategy, foreign policy, and the defense of the unified multinational-federative state—a unique union of republics such as human history has never known. In short, we are returning to the Leninist principles of democratic centralism in the management of the regional economy, principles that, unfortunately, in a certain stage of the development of our state were ignored and distorted and this did substantial harm.

No less important is the fact that on the one hand, as has already been noted, the transition to regional administration and self-financing makes the level of well-being of a specific region depend upon the state of development of productive forces, their utilization, the intensity and quality of the labor of working people, and the efficiency of the actions of administrative authorities, including the main authority—the Soviet of People's Deputies; on the other hand, it opens up real possibilities for the objective determination of the specific contribution of each region to the All-Union treasury and to the resolution of the tasks in the social and economic development of the entire country.

This is fundamentally new in regional administration.

[Grabovskiy] That is, what is intended is a transition to economic methods of management?

[Kutyркиn] Yes. Such a transition is the most important element in the reforms of the management of the economy and the political system, which are the core of perestroika. Regional self-administration and self-financing flow out of the new conditions of management, under which the entire area of physical production in the country, including, of course, in Moldavia, has been working since the beginning of the year.

[Grabovskiy] What specifically is being done in this direction?

[Kutyркиn] A decision of the Government of the Moldavian SSR established a special working group that included representatives of the leading economic departments, scientists and specialists in the area of administration and social and economic development, and representatives of the republic's unions of creative workers. Three alternative commissions have also been organized, each of which is now developing basic principles and positions for the transition of our republic to regional self-administration and self-financing. It is proposed that all three alternative versions of these positions be examined by the commission and government and presented for nationwide discussion, on the basis of which they will determine the most acceptable version under the current conditions of our development. Furthermore, on an experimental basis, the local soviets of Sorokskiy Rayon were converted to the principles of budgetary self-financing last year and this was done for all of Drokiyevskiy Rayon at the beginning of this year. This makes it possible to work out the basic positions and principles of regional khozraschet in practice at the level of the village, rayon or city for its further introduction everywhere throughout the territory of the republic. This will make an important contribution to ensuring the sovereignty of each soviet of people's deputies.

We are also studying closely the experience already gained in the development of the principles and positions of regional khozraschet in the Baltic republics, Belorussia, and a number of krays and oblasts of the RSFSR.

In November of last year, the USSR Council of Ministers organized a special commission that included representatives of all union republics. The plan that it developed for the basic positions and principles for the management of the social and economic development of the union republics on the basis of self-administration and self-financing was reviewed by the government and is being prepared for nationwide discussion in the form of a draft law.

[Grabovskiy] What, in your opinion, must be done above all for the successful transition to regional self-financing and self-administration?

[Kutyркиn] We think—and our opinion is supported by the union commission—that above all it is necessary to expand substantially the economic base and the scope of economic administration of the local authorities. We believe that the government of the union republics and local soviets must be entrusted with the management of the economic sectors that are directly linked with the satisfaction of the essential needs of people—those sectors that turn out food and consumer goods and provide services as well as capital construction and the social field.

Secondly, clearly delimit the budgetary rights of the administrative bodies of different levels and define the classes of payments that must go into the republic and

local budgets from all the enterprises and organizations located in the territory, regardless of their departmental subordination. Similarly, it is also necessary to define the classes of expenditures of these resources, which will ensure financial independence, expand the rights of republics and local soviets, and give them the possibility to implement and finance particular measures.

Thirdly, it is necessary to expand the rights of union republics and local bodies of self-administration in the area of planning, material-technical supply, price setting and foreign economic activities. In so doing, it is fundamentally important to promote the rights and responsibility of the republics for the disposition of production and productive forces, for the efficient use of the production potential established in the region and for environmental protection.

Our position is unequivocal here—it is necessary to increase substantially payments from profit to the republic and local budgets of the enterprises with union subordination and provide for the full payment for manpower, land and water as well as income taxes from working people to the named budgets from all enterprises located in the corresponding territory, regardless of their departmental subordination. Together with local taxes, these payments will fundamentally strengthen the financial base of the local administration authorities. At the same time, all enterprises of union subordination—in a larger proportion—and of republic or local subordination—in a smaller proportion—must contribute part of the payments from profit to the union budget to cover overall state expenditures such as the development of the basic economic sectors, defense, foreign political and foreign economic activities as well as the realization of major interregional programs and measures. A significant part of such budgetary revenue as the turnover tax must also be channeled into these purposes.

The given basic principles for the formation of budgetary income at different levels must be based on standards, which, depending upon the situation in the economy, will guarantee the long-term stability of the financial coverage of regions and the center and their interdependence: a strong center for strong regions and vice versa. And if the economy of the region develops better and more efficiently than foreseen in the base standards, then its financial possibilities will also increase.

All of these questions are reflected to some degree or other in the documents now being prepared at both the republic and All-Union levels.

[Grabovskiy] By the way, about the mentioned possibilities—what are they in Moldavia?

[Kutyarkin] They depend directly upon the economic structure developing under the influence of historical, natural-climatic, demographic and a whole series of other factors as well as upon the level of the development

of productive forces and the efficiency of their utilization. We have a huge potential that permits the republic to function successfully under the conditions of self-financing. As you know, however, the budget of the Moldavian SSR was established with a deficit of 150 million rubles for the current year. For this reason, our potential possibilities are far from being fully realized. The utilization of the achievements of scientific-technical progress and the advantages of new management conditions, including regional *khozraschet*, and the improvement of the organization of labor and management in combination with the improvement of the production structure of the region's national economic complex on a scientific basis are the main directions in the realization of our potential possibilities.

[Grabovskiy] In what way will self-administration be combined with the existing structure of inter-republic ties? Can the republic feed itself?

[Kutyarkin] It would be naive to raise the question of whether each republic must feed itself and provide itself with everything it needs. Regional specialization, a natural reality in the development of the society, has come about. Each of the regions specializes in the output of those forms of production that are most advantageous for it and for the country and that are dictated by its natural-climatic, historical and other factors. Thus, Moldavia appears today in the All-Union market as one of the largest producers of foodstuffs. Life itself has established the preconditions for the development of highly intensive agricultural sectors here—vegetable and fruit growing, viticulture and the processing industry.

At the same time, Moldavia has relatively abundant manpower but does not have the necessary minerals and fuel and energy resources, being forced to import them from other regions of the country. This predetermines the further development of machine building that does not require high inputs of materials but that simultaneously is science-intensive and labor-intensive: electronics, instrument making, electrical engineering and, in the framework of the agroindustrial complex, agricultural machine building.

In other words, the principles of republic specialization and the participation of the republics in the nationwide division of labor and exchange of commodities will be preserved in the future as well. In no way do territorial self-administration and self-financing presuppose some sort of regional isolation or the return to physical forms of farming. If anyone thinks or wants this, he is thereby attempting to ignore a historical objective necessity and this never led to anything good.

[Grabovskiy] The coming reform of price setting proposes a lowering of prices for industrial goods and a raising of food prices. Will this help Moldavia to eliminate the mentioned deficit in the state budget?

[Kutyarkin] Wholesale prices for industrial output and services of an industrial-production nature are now being reviewed thoroughly. The task of this reform is to bring prices into line with the level of socially necessary expenditures. Retail prices will be reviewed later and, as M.S. Gorbachev has repeatedly noted, it will only be after a nationwide discussion of this problem. The transition to regional self-administration and self-financing is possible only after the reform of wholesale prices. For if these do not reflect the socially necessary labor input, then it will be impossible to determine correctly the contribution of the republic to the overall development of the state and to stimulate a reduction of republic expenditures.

Our republic and the country as a whole are now experiencing a budget deficit. Previously this was not the case in Moldavia and other republics; overall only the All-Union budget showed a deficit. The transition to regional self-administration and self-financing provides that each republic must work without a loss. And whereas, for example, we previously turned to the All-Union budget for the necessary funds, justifying their magnitude through certain expenditures, we are now forced to abandon such an expenditure approach and to earn our living under the principle "receive what you earned."

[Grabovskiy] More than half of the national income of Moldavia is provided by the agroindustrial complex. But it is located in a zone of variable farming. Will there be structural changes in this connection, including in investment policy?

[Kutyarkin] As has already been noted, it is necessary for us to utilize the conditions of the republic, including the abundant manpower, to bring about a further increase in the economic potential through science-intensive production and to increase the output of the resources of computer science, management and other up-to-date output in machine building. This will make it possible under the conditions of a shortage of raw materials to resolve the mentioned task and to overcome the republic's lag behind other regions of the country: we have the lowest relative share of machine building in the structure of public production—just 18 to 20 percent. We cannot compete with republics with a more highly developed machine building and, consequently, science-intensive production. Hence the lower saturation of our region with national economic specialists: engineers, technicians and so on.

That was in the first place. Secondly, one must not forget that the agroindustrial complex is the heart of the republic's economy. So it is necessary to ensure the stable development of farming, its basis. The primary way is the development of irrigation. Under the conditions of a shortage of water resources, this is possible both through the strict regulation of the use of water by means of the introduction of a reusable water supply and technologies that save water, including drip irrigation,

and, in the future, primarily through a large-scale regional shift of river flows. So far we have not been offered any other version than the utilization of the waters of the Danube. Scientists are now working on this problem. And they will provide an answer to the question of a possible resolution of the named problem.

Thirdly and finally, it is extremely important to overcome as soon as possible the legacy of the past—the existing backwardness in the development of the material base of the social sphere, including in rural areas. Without this, it is impossible to develop the economy in general and the agroindustrial complex in particular.

Some major positive steps have been taken in this area in recent years. It is sufficient to say that in the first 3 years of the five-year plan the putting into operation of educational, health and cultural facilities in the republic increased by a factor of 1.3 to 2 compared with the corresponding period of the preceding five-year plan. Moldavia is among the regions of the country that are better supplied than others with preschool institutions and schools, hospital beds and polyclinics. The "Housing-2000" and "Health" programs are being implemented. But there is still much to be done prior to the full resolution of the task of fundamentally improving the living conditions of the working people in this area.

It is probably precisely through the realization of the named threefold task that there will be a change in the long-term investment policy. It is for this purpose that the industrial base of capital construction will develop at an overtaking rate and that there will be an increase in the production of building materials.

[Grabovskiy] The coming changes and the transition to regional self-financing will apparently require a serious effort by all of us...

[Kutyarkin] In the transition to self-financing, there is no thought of violating and fundamentally changing the existing structure of the economy and interrelationship between the regions and the center immediately, by directive or "in a single hour," as they say. Obviously base conditions and economic indicators will be established, on the basis of which the standards will be determined for deductions to the local, republic and union budgets. Each of the regions will obtain equal conditions for a more complete realization of its possibilities. It is true that changes for the better will happen more quickly for those who work more energetically.

[Grabovskiy] In accordance with the basic principle of socialism: "from each according to his abilities, to each according to his labor?"

[Kutyarkin] Yes, of course. I am an optimist and am firmly convinced that the transition to regional self-administration and self-financing, being still another major step in the radical economic and political reforms, will make it possible to be more successful in resolving

the task set by the 27th CPSU Congress and the 19th All-Union Party Conference: through a fundamental restructuring of Soviet society, achieve a qualitatively new level for that society and raise the prosperity of the working people, thereby making fuller use of the possibilities of socialism.

UzSSR Uses NEP Experience To Solve Agricultural, Economic Issues

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[Article by P. Kim, doctor of historical sciences, and M. Khasanov, candidate of historical sciences: "What To Take From NEP"; passages in boldface as published]

[Text] The transition to NEP was made by the party under the most complex conditions. The peasants' dissatisfaction with the policy of requisitioning of grain by force began to assume extreme forms. The Krondstadt mutiny was one of the testimonies of this. These events, as V. I. Lenin noted later, "were like lightning, which illuminated the reality more clearly than anything else." Dissatisfaction with requisitioning of grain by force was also felt among Turkestan's peasantry.

The 10th Congress of the Russian Communist Party (of Bolsheviks) was held in March 1921. On V. I. Lenin's initiative it adopted a major decision on renouncing the policy of requisitioning of grain by force and replacing it with the food tax. This decision became a key one in the work on gearing the country's economy, primarily its agrarian sector, toward NEP.

Work on gearing the economy of the Turkestan Republic toward NEP also began immediately after the congress. As early as 22 April 1921 the Turkestan Central Executive Committee adopted a law on replacing requisitioning of grain by force with the food tax. It indicated that "the tax should cover minimal state needs." In its nature the tax was based on shares and was progressive, that is, a certain percent of the products produced in individual, cooperative, and, in part, state sectors of agrarian production was collected.

The special decree by the Council of People's Commissars of the Turkestan Republic issued in elaboration of the mentioned law precisely set the maximum tax rate norms. They were by no means the same for different types of agricultural crops and sown areas. In general, the tax legislation of that time was noted for special humanism. The poorest farms, that is, where all types of operations were performed manually, as well as families, which suffered from natural calamities and basmaks, families with invalids, families whose members died during the years of the civil war or were in captivity, and so forth, were exempt from taxes partially or fully.

The very procedure of implementation of the food tax is also interesting and important from the point of view of present problems. It changed during different years, but

according to documents from 1921 it looked as follows: On the basis of the gathered data the rural soviet prepared a preliminary name list for every kind of tax. After receiving the volost instruction about the need to begin the computation, it convened representatives of individual groups of payers and together with them, as well as in the presence of the tax inspector, computed the tax for every farm. All the lists prepared by the rural soviet had to be signed by its chairman and by the representative of groups of payers. After approval by the volost executive committee they were returned to the rural soviet and presented to every payer, who had to sign for them.

In this connection we would like to stress the exceptional role of local soviets. After all, the organization of taxpayers' conferences (councils) was one of their tasks. Members of this conference (council) had very broad rights. Precisely they participated in checking the tax norms set for individual farms and observed and controlled the tax delivery process.

In our opinion, these procedural mechanisms are also important from the point of view of current problems in the development of the cooperative and leasing movement. That is why: Retention of the right of monopoly control over the activity of cooperative workers and lessees only in the hands of officials, without broad glasnost and control on the part of the public, primarily cooperative workers and lessees themselves, is fraught with a potential threat of development of corruption and bribery on the part of some managerial apparatus workers.

A very dynamic and cooperative movement from its simplest forms, beginning from partnerships for joint working of the land, developed during the years of the new economic policy. Special attention was paid to the development of the handicraft industry with its inclusion in the planning and economic activity of the Soviet state. In the 1920's this problem was examined from the point of view of party tasks in national policy. If we turn to the shorthand report of the 10th Congress of the Russian Communist Party (of Bolsheviks) and, more precisely, to its pages devoted to a discussion of the report on the national question, we can see the following: Even before the discussion of the report, after familiarization with its principal points, "... a proposal to give the floor to coreporter Safarov, which, according to the regulations, was signed by 40 comrades," appeared. G. Safarov, a member of the Turkestan Bureau of the Russian Communist Party (of Bolsheviks) Central Committee, on behalf of the delegation of the Communist Party of Turkestan introduced a very important amendment, whose essence boiled down to the fact that the elimination of actual inequality presupposes not only the establishment of a large-scale industry in the country's backward outlying districts and, in particular, Turkestan, but also the development of a small-scale handicraft

industry. This proposal was accepted by the congress and included in the text of the famous resolution "On Current Party Tasks in the National Question."

The problems of gearing toward NEP were also discussed at the 6th Congress of the Communist Party of Turkestan (August 1921). The decisions adopted at it drew not only V. I. Lenin's considerable attention, but also gave rise to his approving evaluation. Today they are also of great scientific interest.

Incidentally, the resolution "Economic Policy and the Handicraft Industry" also paid special attention to problems of handicraft workers. It openly noted that "conditions, under which handicraft workers and artisans could correctly develop their production and freely dispose of the products of their labor, should be created for the handicraft and small-scale industry." In this connection "sectors, which can promote the peasant economy, the production and repair of agricultural implements and the simplest agricultural machines, and the production of all kinds of household and consumer goods, should be primarily singled out from the small-scale and handicraft industry." Unfortunately, simplified, "rectifying" approaches to problems concerning the elimination of actual inequality among nations prevailed at the end of the 1920's and the beginning of the 1930's. This was expressed in the absolutization of reliance on the establishment of industrial giants, distortions of the Leninist cooperative plan, and a scornful attitude toward the fundamentally important conclusion drawn by the 10th Congress of the Russian Communist Party (of Bolsheviks) on the specific role of the handicraft industry and the simplest forms of cooperatives for national outlying districts.

From the above-stated it can be concluded that the presence in Uzbekistan of people not employed in public production today to a certain extent is the product of historical development. Apparently, the way to solve this problem should also be sought in the direction proposed in the 1920's, that is, in the maximum possible development of handicraft industries and of the simplest types of cooperatives for the repair of agricultural machines, processing of fruit and vegetable products, and so forth.

And another factor of a fundamental order, which must be mentioned. Banks, which serviced cooperatives exclusively, operated in the 1920's. That is, cooperatives possessed a relatively autonomous financial system. Today—and this becomes increasingly obvious every day—there is a need for the establishment of such a special cooperative bank.

Leasing relations developed very actively—in our opinion, this is very important—during the years of the new economic policy. Their scale and nature were very unusual, even from the point of view of the present leasing movement. Not only small plots of land, but very large territories, were leased out. Cooperative workers, private individuals, and governments of the Union

republics were lessees. The so-called "Gruzarenda" [Georgian Leasing], which existed in the 1920's, can serve as an example. It operated not far from Tashkent. According to an agreement between two governments of two fraternal republics, the leasing enterprise engaged in the production of cotton for the needs of the textile industry of the Georgian Republic. It is well known that Ya. E. Rudzutak, chairman of the Central Asian Bureau of the Russian Communist Party (of Bolsheviks) Central Committee, visited "Gruzarenda." He highly evaluated this experience. This was in order. After all, Georgians established in the Turkestan Republic an agricultural enterprise, which was modern for those times.

If such a close and mutually advantageous cooperation between fraternal republics was possible during the NEP years, why should we not restore this practice, establishing joint interrepublic farms out of individual unprofitable sovkhozes and small processing industry enterprises with antediluvian equipment? For example, if our friends from Belorussia need famous Uzbek melons, grapes, and so forth, but the republic agroprom, owing to objective reasons, is unable to solve this problem, why should the agroproms of the two republics not establish joint interrepublic farms out of individual unprofitable sovkhozes, investing the necessary funds in them? Of course, in such cases labor resources will be presented by Uzbekistan. The money made can be used for the modernization of food industry enterprises, construction of vegetable and fruit storage facilities, and so forth. Such a proposal also has a political aspect. After all, the internationalism of the Soviet people should be maximally strengthened, primarily in the economic sphere.

In general, leasing relations are a very curious phenomenon in our economic history. After all, whereas during the NEP years their development was stimulated in every possible way, during the years of formation and rule of the administrative-command management system, leasing seemingly was abolished forever. However, this is what is remarkable: During the years of stagnation it revived again, true, illegally—in the form of the well known "gektarshchina" [hectare leasing system].

Today leasing relations are introduced into practice with difficulty. It seems that the lack of the necessary material interest on the part of the managerial apparatus is the reason for this phenomenon. Let us recall that during the period of stagnation the "gektarshchik" [hectare lessee] received the right to leasing from farm managers—we might as well admit—often for a bribe. That is, the manager was interested "in his own way," if one can express himself so, in the "gektarshchik." This chain has now been destroyed. The lessee becomes the key figure in the agro-complex. Moreover, a sharp expansion of independence and a general introduction of cost-accounting relations automatically raise the question of the uselessness of many agroprom links.

This problem is not new. The process of the Turkestan Republic's gearing toward NEP was accompanied by a significant reduction in the size of the managerial apparatus. Literally in 3 years (from 1921 through May 1924)

its size in Turkestan was reduced from more than 95,000 to 7,000 people, that is, more than 12-fold. This process was far from mechanical. It is no secret that the low quality of management during those years was characteristic precisely of the low-level link—*uyezd* and *volost*. Owing to objective reasons, the number of virtually illiterate people, or people with low occupational skills, was very significant there. Therefore, the reduction was accompanied by movements along the "from top-to-bottom" line.

At the same time, agriculture developed very dynamically. Let us take animal husbandry as an example. In 1923 alone the livestock population in the republic increased by 30 percent.

A few words about some economic aspects of the irrigation policy during that time. A decree of the All-Russian Central Executive Committee "On a Charge for the Use of State Irrigation Systems Located in the Turkestan Republic" signed by M. I. Kalinin was adopted on 8 June 1922. It pointed out the following: "Taking into consideration the great importance of a proper preservation of state irrigation systems located in the Turkestan Autonomous Socialist Soviet Republic and the vast expenditures necessary for maintaining and repairing the indicated systems, the All-Russian Central Executive Committee decrees... to introduce in the Turkestan Autonomous Socialist Soviet Republic a charge for the use of state irrigation systems." This document ordered that part of the revenues received from this should be transferred for the needs of reclamation cooperatives.

Analyzing NEP lessons, of course, such an important aspect of NEP as the concession policy of the Soviet state should not be bypassed. It is well known what vast importance V. I. Lenin attached to concessions. We would like to note that with respect to Turkestan there was a very big interest on the part of foreign, mainly German, firms. They were interested primarily in cotton. This interest was so significant that in exchange an offer was made to organize the delivery to the Soviet side of machines, industrial equipment, and even grain, which the country as a whole and, in particular, Turkestan greatly needed at that time. Nevertheless, concessions with the participation of foreign capital were not established at that time. This was due to the fact that the German side, as a payment for the offered services, asked for large quantities of cotton. The Soviet country did not have such a capability in the 1920's.

Nevertheless, the government did not rule out the path of establishing concession enterprises of agricultural and, in particular, cotton growing specialization. A number of government documents, including those adopted in Turkestan, reliably attest to this. The resolution of the 6th Congress of the Communist Party of Turkestan "Economic Policy and the Handicraft Industry" discusses the permissible participation of foreign capital in the restoration of production facilities "in the form of their operation on a concession basis."

We believe that this path is again becoming very promising. For example, it is possible to establish mixed enterprises for the processing of fruit and vegetable products and melon and other crops with their direct access to the international market. The advantage is obvious: It will become possible to purchase abroad advanced technology and equipment, which we need so much. Of course, it is better to establish mixed enterprises with socialist countries.

As in all economic sectors, the process of gearing cotton growing toward NEP was begun right after the 10th Congress of the Russian Communist Party (of Bolsheviks). At the same time, the starting positions significantly differed there from Turkestan's other economic sectors. The point is that during the years of the civil war requisitioning of grain by force was not applied to cotton growing. Hence the solution of problems was different, that is:

- establishment of a special interdepartmental government body for the management of the cotton business in its entire complex in the person of the Main Cotton Committee (September 1921);
- transfer of the entire sector to cost-accounting principles (August 1922);
- flexibility in the policy of purchase cotton prices;
- admission of textile enterprises to work on financing cotton planting and procurement (January 1921).

What was V. I. Lenin's point of view concerning the question of the ways of developing cotton growing under NEP conditions? Volume II of V. I. Lenin's biographical chronicle gives an indirect answer to this question. It is evident from it that on 31 August 1921 he became closely familiar with the mentioned materials of the 6th Congress of the Communist Party of Turkestan. Paragraph 10 devoted to the question of restoring industrial crops in Turkestan—the Latin sign "especially important" is in the margin—attracted Vladimir Ilich's special attention. He envisaged the implementation of the process of restoring cotton growing precisely under conditions of a state cotton monopoly.

As a result of the steps taken, the target for the growth of areas planted with cotton, which at one time the tsarist government needed 21 years to reach, was reached in the country in 1921-1924 alone.

I. Khidyraliyev, a prominent figure in the Communist Party of Turkestan, who at one time held the post of chairman of the Turkestan Central Executive Committee, at the all-Union conference on cotton growing held in 1924 described the atmosphere reigning in the republic's cotton regions as follows: "When people sensed that there was an opportunity to work, they grasped this work

with their hands... The entire population, young and old alike, took part in field work... They worked not only during the day, but also at night, with lanterns! People plowed for themselves!!!"

However, this is one of the aspects of what was attained. As an analysis of the documents shows, the other lies in the fact that private capital did not play any positive or significant role in the results obtained. Nor did the admission of textile enterprises to financing cotton planting and procurement play a constructive role. Moreover, their activity in cotton growing gave rise to a number of negative phenomena.

The following question arises involuntarily: At the expense of what was such a major success, nevertheless, achieved by the end of 1924? In our opinion, the exceptional flexibility in the purchase cotton price policy, which took into account, on the one hand, the interests of textile workers, who demanded inexpensive raw materials, and, on the other, the interests of the peasants, who, in point of fact, were at another pole, was one of the key conditions for this success.

In a schematic form the price system looked as follows: Every year the Labor and Defense Council (as of 1921) set the "ceiling" price of cotton, as well as the total sum of expenditures. It could be varied by the Main Cotton Committee and its local bodies depending on the degree of provision of every rayon with food, the quality of raw materials, the time and place of sale of cotton to the state, and so forth.

In the context of work on the harmonization of interests systematic work on providing Turkestan with grain was also carried out. The government's attempt to preserve the traditional balance between the price of cotton and wheat and, at the same time, to lower purchase cotton prices, not encroaching upon the peasants' interests, is noteworthy. This is quite understandable. After all, this work was based not on methods "involving force," but on tactically farsighted and scrupulous work on maximally reducing the cost of grain received in the cotton regions of the Turkestan Republic (reduction in transportation rates and abolition of various kinds of duties, taxes, and so forth).

Of course, the activity of the Soviet Government during those years had immeasurably more aspects and to attribute its effectiveness to the flexible price policy alone would be, to say the least, a simplification and vulgarization of our many-sided experience. At the same time, the mechanism described above, apparently, can also be useful today. After all, as M. S. Gorbachev noted, the idea of restructuring is based on our 70-year history and on the firm foundation of the fundamentally new social building built in the Soviet country and links the continuity, innovation, and historical experience of Bolshevism with the contemporaneity of socialism.

INTRODUCTION OF NEW TECHNOLOGY

Specialists Suggest Ways to Promote Resource Conservation

18200190 Moscow

MATERIALNO-TEKHNICHESKOYE

SNABZHENIYE in Russian No 1, Jan 89 pp 28-30

[Article by Z. Zverkova and A. Rikhter, heads of laboratory; V. Bushuyeva, senior scientific associate; and N. Serebryakova, scientific associate: "Medicine from Hoarding"; first paragraph is MATERIALNO-TEKHNICHESKOYE SNABZHENIYE introduction]

[Text] During the two years of the 12th Five-Year Plan the national income of the country of 8.2 percent under the plan increased by only 6.5 percent. The chief reason is the slow reduction of material-intensiveness of public production. Resource conservation up to now has not yet become the norm of economic life. Thus, material-intensiveness during this period diminished only by 1.8 percent as against 4.3 percent according to the plan. A group of authors from the Siberian branch of the Central Scientific Research Institute for Economics and Information of Non-Ferrous Metallurgy, which included the laboratory chiefs Z. Zverkova and A. Rikhter, the senior scientific associate V. Bushuyeva, and the scientific associate N. Serebryakov, is making a serious attempt, in our view, to come to understand the character of the irresistible propensity of many industrial enterprises to hoarding.

How the non-ferrous metallurgy enterprises of the Urals, Siberia, and the Far East are utilizing material resources, we, as they say, have been observing with our own eyes for many years. During this time, the staff members of our branch have already made several calls on each enterprises with audits of the working capital. And every time they had to encounter a sad regularity: The growth of the material reserves exceeds the established norms and rates for the increase of the output of production volumes. Even the transition to the new conditions of management has not had a sobering effect, in spite of the fact that they bear property responsibility for the non-observance of the maximum level of stocks of material-technical resources, and cost accounting and self-financing, it would seem, directly arouse interest in the reduction of material expenditures; production remains wasteful of resources.

The shortage of many types of resources, as before, confronts enterprise managers and plant material-technical supply services with a dilemma: To be punished for wastefulness or to jeopardize the fulfillment of economic contracts or in general to prove to be on the verge of a production halt. As a rule, they select the first variant and thereby they exacerbate the deficit, which arises mainly because material values are excluded in large quantities from economic circulation and accumulate in the enterprises. In the sectors of the production sphere,

for example, their stocks have already surpassed 300 billion rubles, while the entire growth of the national income planned for the 12th Five-Year Plan comes to 124 billion rubles.

Are there forces capable of breaking the vicious circle?

We have already noted that cost accounting has not exerted the effect in resource conservation we expected from it. For the time being, it must be stated that cost accounting relations have not yet attained the stage where the consciousness of the production workers is beginning to change to the side of economy. This is evident even if only by the low level of economic work, which is revealed already during the demand campaign. The demand for resources for the next plan period is declared without taking into account, as a rule, the actual leftovers of materials, its reasonable limits are established extremely approximately only by the records of differences. Many workers in the departments for material-technical supply cannot understand the norms of maximum stocks of concrete types of resources. And they completely confuse the type sizes and the assortment of materials. Thus, at the warehouse of the Indigirskiy GOK [Ore-Refining Combine] of the Yakutsk Association, hose valves with a total value of 172,000 rubles have accumulated like dead weight because the suppliers lowered their diameter in the order. The same confusion occurs practically in all enterprises with orders for working clothes, equipment, and spare parts.

To this must be added that many supply workers in essence even do not know the contents of the ballast which burdens the economy of their enterprises—a special account of the material values that are superfluous, poorly utilized, and subject to sale or liquidation is not kept. The following facts provide more than convincing proof of this. At the Sadovskiy STsK [Lead and Zinc Combine] materials accumulated that remained for 1 to 3 years without movement, worth 1.8 million rubles, at the Gayskiy GOK—worth 760,000 rubles, at the Volga Automobile Plant—worth 837,100 rubles, at the Baku Powder Metallurgy Plant—worth 1 million rubles. The warehouse accounting cards are kept in such a way that it is impossible to establish since what time all of these material values have become dead ballast.

During the past year, an analysis of enterprise reporting data has been carried out in the sector for the purpose of bringing to light resource leftovers. They proved to be 57.7 million rubles worth. Among them, the warehouse directly of the USSR Ministry of Non-Ferrous Metallurgy came to 15.7 million rubles. The channels of the territorial organs of the USSR State Committee for Material and Technical Supply accounted for the remainder. Most of all, unneeded materials have accumulated at enterprises located in the regions of the activity of the Magadan Main Supply Administration—worth 2.6 million rubles. In the territory that is served by the Krasnoyarsk Main Supply Administration, they have

been fixed at 2.3 million rubles, the Sverdlovsk Main Supply Administration—at 2.1 million rubles. But this, as journalists like to express it figuratively, is only the tip of the iceberg. If one "dives" more deeply, a still more impressive picture opens up. At one of the plants of the sector, in the report according to Form 15-SN, the leftovers of commodity-material values were expressed by the figure 27,200 rubles, but in actual fact there proved to be 457,000 rubles worth of them. Indeed, as with the iceberg, the greater part is "under the water."

The basic stream into the accumulation of above-norm stocks of material resources, as follows from the figures cited, flows through the channels of the territorial organs of material-technical supply. And this, very likely, even regularly. Working in accordance with the principle "Take what is acceptable, what is useless", they sell the production ordered with a load, thus getting rid of their own unmarketable goods. Of course, one cannot indiscriminately attribute such a style of activity to all without investigation. But for many territorial organs it is highly characteristic.

The accumulation of unnecessary spare parts, instruments and other products are in many respects the result of such a flaw as the imbalance of orders of materials with the dynamics of production. The inertia and the short-sightedness of the workers of the material-technical supply departments of the enterprises lead to the fact that reconstruction, technical reequipment, and the development of the output of new products—all of these actions, without which the development of production is unthinkable, are frequently dragged out because of the tardy ordering of the necessary materials and equipment. The result—instead of the growth of production there is growth of equipment withdrawn from circulation. Thus, for this reason, in the gold-extracting factories there proved to be refractory brick lining valued at several hundred thousand rubles, which is useless for the new grinding-crushing equipment. And, you see, this is casting in extremely short supply.

Because of the fact that in the orders of the suppliers the changes in the project were not reflected in good time, electrical equipment for 4 million rubles fell into the class of non-liquid assets at the Achinskiy Alumina Combine. Also conducive in many respects to the accumulation of above-norm stocks of materials was the prohibition—in effect until 1986—of their transfer to outside organizations and for sale to the population. Because of this, the presence of special screws, props, bushings, and nuts exceeds the annual demand dozens of times. Old materials for 4 million rubles were discovered in the Yakutalmaz Production Association.

The excess of the permissible stocks of raw materials and the excessive unfinished production are the result of the preference of the enterprises for advantageous ores, concentrates, and more labor-intensive semi-finished products. For this reason, they neglect the waste products of aluminum production in the enterprises of

Vtortsvetmet [State Trust for the Procurement and Reprocessing of Secondary Materials] and use basically aircraft scrap. At the Kirovgrad Copper-Smelting Combine, which reprocesses the wastes of non-ferrous metals, the scrap stocks of electric motors are sufficient for 23 years of work. At the Leninogorsk Polymetal Combine, the leftovers of zinc cakes are estimated at several million rubles worth.

At the present time, measures of an economic character are being undertaken which in terms of their intention should help "resolve" the excess stocks. If material values accumulate above the norm, the bank stops granting credit to the enterprise. Moreover, from the profit that remains at its disposal, 3 percent of the value of above-norm stocks are deducted. But these measures are not always effective and do not restrain the passion for accumulation. Why?

Above all, the norms for working capital being established do not always reflect the true demand of the enterprise for material resources. The instructions provide that they should be reconfirmed when there is a change in the conditions of production as the result of the reduction or increase in the output volumes of products, the renewal of technologies among the suppliers, and the more precise definition of delivery conditions. But this rule is usually consigned to oblivion, and the norms are not corrected in time.

It is also impossible to hope that, with the transition of enterprises to cost accounting, they will automatically begin get rid of material ballast. The science of resource conservation will still have to be understood. And the organs of material-technical supply, whose main task it is to try to attain the acceleration of the turnover rate of working capital and the reduction of the stocks of commodity-material values, should help enterprises to master the principles of economical management of the economy. The developments of the scientific research institutes of the USSR State Committee for Material and

Technical Supply, connected with the organization of warehouse accounting and the effective exposure and effective control of the movement of material values, will prove to be highly useful for them. But today the access to such documentation is extremely limited, and at times the enterprises simply do not know where to search for the ends. You cannot cope here without an intelligent, accessible, but by all means paid service.

Among the other measures capable of exerting influence on the acceleration of the turnover rate of material-technical stocks, the following can be proposed: First of all, to establish material incentives for the workers in the accounting and financial services of enterprises, material-technical supply and marketing departments directly dependent upon the reduction of above-norm stocks of material-technical values. Secondly, to conduct a mandatory quarterly inventory of the leftovers of unused raw material and materials, and finished products for the purpose of involving them in economic turnover or in sale. Thirdly, in the case of tardy and incomplete deliveries, not to pay for the products from the planned funds. This rule should also be expanded to deliveries above the order. Fourthly, the granting of accounting and purchasing credit should be connected with the fulfillment, by the enterprises, of the tasks with respect to the reduction of above-norm stocks of commodity and material values.

And, finally, great assistance in the reduction of above-norm stocks can be provided by the creation of a special, all-union advertising and information newspaper, perhaps even established on a cooperative basis. We must precisely understand that the fat of above-norm stocks accumulating with the years on the body of industry already is calling forth the strongest case of short breath, and it will not be possible to manage without active treatment. And having understood, to start with such treatment, regardless of how painful and difficult it may prove to be.

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More Independence for Labor Collective Councils Urged

18280106 Moscow SOTSIALISTICHESKAYA
INDUSTRIYA in Russian 5 Apr 89 p 1

[Article by A. Buzgalin and A. Kolganov, candidates of economic sciences: "The Right to Rights"]

[Text] A few practical recommendations for those who are elected to the councils of labor collectives.

Not everyone knows that the idea for the creation of the labor collective council originated at the workplace. The Kaluzhskiy turbine factory provides an example. For more than ten years its workers (true, not through an STK [labor collective council] at first, but through a brigade-leader council) have been deciding questions of pay, setting of work norms, organization of labor, and work schedules of the enterprise. Today's environment offers, of course, many more examples of the same type, and indeed the range of challenges has grown wider. If the council is able to meet them independently it becomes the real master at the enterprise. But how can the STK seize power in practice? Just seize it; not every director will hurry to share power with the newly-created democratic organ. The members of the STK may have to go to the rayon committee or city committee for support or enlist the services of the press. These days that helps; only tenacity and persistence are needed.

First of all the council must win from the administration the right to determine the KTU [labor input ratio] and, even better, the wages themselves, including those of the director. Such a measure, as experience shows, demonstrates better than most that the STK enjoys rights equal to those of the administration, and that it is respected and possesses authority. This is actually a tactical step. It is still necessary to solve the problem of the strategic objective: to make the STK the spokesman and guide of the collective's interests. For that, much time and strength will be needed.

By itself the council will not be able to regulate self-management. A system of workers' organs (commissions and groups) is needed for counsel on concrete problems: payment for work, setting of norms, allocation of the cost-accounting funds of the enterprise, control... These commissions must be open to any member of the collective. If you want them to set you a realistic norm, to pay you a just wage, well then, participate in the work of the commission. If you do not know how, learn how. You are lazy, you do not have enough time? Then do not be surprised when your interests and the interests of your sluggish comrades are not respected. Self-management is work, not charity.

If experience convinces the workers that self-management helps them solve vitally important problems, the STK will be guaranteed support from below, and that is paramount. The STK, social organizations, and administration will coexist in the self-management system.

And it must be arranged in such a way that all these organs do not hinder one another and their activities do not run counter to the principle of undivided authority.

Most importantly, how will the interaction between the STK and the administration be regulated? We will start from the following principle: the labor collective and its council are the legislative organ. The principal task of the STK is to decide strategic and long-range economic questions. The responsibility of the administration is to implement the democratically formulated decisions, and to exercise routine management of the enterprise. At the stage of the formulation of decisions there is maximum democracy, broad initiative, and authority of the council. At the implementation stage there is strict discipline and sovereignty of the administration; the council and its commissions exercise only the right of control.

How will subordination of the administration to the collective be guaranteed? Practical experience prompts the solution. For example, at the Kaluzhskiy turbine factory the brigade-leader council has possessed for more than ten years the right of "veto" over the decisions of the administration. An STK holds the right of "veto" (within the bounds of its competency) over the PO [production association] of the Cryogenics Engineering Works (Moscow Oblast) and of many other enterprises. Correspondingly the administration must have the right of "veto" on decisions outside the bounds of competency of the council.

It is to be expected that the functions of the council and the local trade-union committee overlap in many areas. Nonetheless the STK is necessary, even if only as an organ which will possess a broader authority and thus will not be subordinate to sectoral or territorial trade-union leadership. Practical experience of the interaction between STK and local trade-union committees prompted the simplest resolution of the problem—the creation of joint workers' commissions. The trade unions have jurisdiction over socialist emulation, hiring and firing, labor conditions and safety, and workers' vacations... The council—economic considerations, personnel policy, etc.

And it is appropriate to emphasize one more task of the trade union under the new conditions. That is the protection of the individual from the "group egoism" of the collective, whose will the STK expresses. Often (there are already many such examples) the STK itself illegitimately encroaches upon the independent interests of one or another group of the workers at the enterprise.

The role of "supreme" coordinator is appropriately granted to the STK as the "stronger," more authoritative organ. And if there is a conflict? Let a general meeting resolve it, since all the members of the collective are at the same time members of the trade union. Relations between the council and party committee of the VLKSM [Leninist Young Communist League] can be established in much the same way.

The question of interaction between the STK and the brigade-leader council, the People's Control, and the women's council can be settled somewhat differently. We propose the following variant: all the organs become the foundation for corresponding workers' commissions in the STK. A commission for the brigade organization of labor acts on the foundation of the brigade-leader council and the brigade councils, a control commission—on the basis of the People's Control organs, etc. Then these social organs will not only coordinate their activities, but will also share that power which the STK possesses and which no one of these organization possess separately.

The enterprise does not live in a vacuum. It has cooperating enterprises, it has a "parent organization"—a higher command. Ideally the responsibility of the collective is to implement adopted resolutions, showing a maximum of initiative at the pre-planning stage: until the plan, order, or norm is approved, the collective may obtain changes to it. But if irrational resolutions are adopted? In that instance the collective and its council can and should demonstrate initiative and show, with facts at hand, that the resolutions of the ministry or other organ run counter to the interests of the enterprise. The STK should address itself to Soviet and party organs, to the People's Control, and even to the courts, demanding changes to the groundless resolutions.

The workers, as no one else, know that their strength lies in association. If the council of one enterprise is weak, then the amalgamation of the forces of the STK's of all the enterprises of the sector or city offers strength. Such associations are springing up right before our eyes: a city conference of motor transport enterprises took place in Vilnius, in which a resolution was adopted creating in the republic a council of labor collectives for the sector. A coordinating council of chairmen of STK's functions in Riga. Councils in a number of sectors are beginning to operate. Progress is slow, but the prospects are substantial. A union of the forces of sector STK's with the activities of consumer unions, ecological associations, scientific-technical societies, and de-bureaucratized trade unions can become a practicable road to self-management of the people in the economy. However it is important not to turn such unions into a new administrative apparatus, nor to tolerate the subjugation of the councils of the separate collectives to their own association, having steadfastly guaranteed the union's voluntary participation.

It does not pay to labor under a delusion: self-management in the labor collectives is making its first steps. Experience with it is very limited. However, the field for investigation and experimentation gets broader all the time, and the main point here is not to wait for "important instructions," but to begin to act ourselves, from below, orienting ourselves toward the letter and the spirit of the new party resolutions. At the same time we must understand that self-management is an innovation and that mistakes are unavoidable. As a result it is all the

more important for each of us to have patience. Our public laboratory for self-management is prepared to offer help within its powers, and on 24 April the economics department of MGU [Moscow State University] will offer night school on this subject. We invite the councils of workers' collectives to participate in its courses.

Contrasting Views on Millionaire Co-Op Members Aired

Two Opinions Presented

18280107 Moscow TRUD in Russian 6 Apr 89 p 2

[Interview with G. Muravyev, Candidate of Economic Sciences and Yu. Borozdin, Doctor of Economic Sciences by TRUD and TASS correspondents]

[Text] Two opinions concerning the problem of rapid enrichment of some cooperators.

The sensational news concerning the monthly earnings of a cooperator, on the order of 3 million rubles, continues to boggle the mind. Thousands of television viewers recently waited at some length for their meeting with this Soviet Rothschild, as promised by the "Vzglyad" Program. Artem Tarasov, a humble and even shy individual, albeit truly confident in the fact that he who works hard will earn more, has acquired a great deal for himself.

Following this broadcast, TRUD and TASS correspondents held an interview with two specialists: Candidate of Economic Sciences G. Muravyev and Doctor of Economic Sciences Yu. Borozdin. Although the same questions were asked, the replies were different. Who was more correct? The readers can judge for themselves.

[Correspondent] The account of this cooperative has been frozen in a Moscow bank. Its leader has recommended that a public investigation be organized in the interest of recovering its losses from USSR Minfin [Ministry of Finances]. What is your opinion in this regard?

[Muravyev] Well, we must still examine the situation to see just who is obligated. Indeed, at the time the cooperative warehouses were being erected, there were some construction projects that were being held up owing to a shortage of materials. The new businessmen with "suitcases filled with money" even procured freight cars which were in short supply. It is known how the entire chain of contractual obligations throughout the country was disrupted owing to the fact that freight cars were not made available on schedule for the shipping of finished products from just one plant.

The question with regard to the development of cooperation was initially resolved as an opportunity to draw pensioners, students and housewives into the national economy. But as a result we witnessed a strong loss of the more skilled specialists to cooperatives. This occurred

even if the cooperative was engaged in the making of pastries. But when a private craftsman is introduced into a single economic organism, we can then await an imbalance.

[Borozdin] I view the idea of such an investigation in a positive manner. For this is primarily glasnost. Not only in connection with the conflict that has arisen, but also from the standpoint of the operational problems of cooperatives on the whole. We have the Law Governing Cooperation. Ideally, all questions concerned with the interrelationships of cooperative and state organizations must be examined from a legal standpoint. Actually, one often encounters the determined pressure of departments which forbid the opening of certain cooperatives or which create for them complicated and at times ruinous conditions. This is why a public investigation is considered necessary. In my opinion, the law was clearly broken in this situation involving 180 million rubles. But by whom? If the actions of the cooperative were not in conflict with the law and if USSR Minfin wilfully froze the cooperative's account, then the latter broke the law. If the money was earned in an illegal manner, then we have an entirely different situation. The matter should be investigated.

What are the cooperatives reproached for most of all? The standard accusation: they divert raw materials, other materials, transport and man-power and thus they disrupt the normal operations of state enterprises by "encroaching upon" the national economic mechanism. This is so if we view cooperatives as a type of alien phenomenon that has been temporarily authorized for economic activities. If we consider their work to be legal, then the question should be posed differently. Based upon the rudiments of economics—a comparison of expenditures against the final result.

[Muravyev] And who is keeping count on how many disruptions in deliveries have occurred as a result of the work of this cooperative, which seemingly magically received somebody else's funds for its needs. An incursion into national economic plans (and thus badly balanced) leads to disproportions. And the overall loss in this instance certainly cannot be compared to the profit of the cooperators.

[Correspondent] At the present time, many inspections are being carried out by financiers, people's control, deputy committees and the OBKhSS [Department for Combating the Embezzlement of Socialist Property and Speculation. But many believe that this is not enough and that "stern punishments" should be handed out to such cooperators.

[Muravyev] In my view, this should be done because they are violating one of the basic principles of our society: "From each according to his ability—to each according to his labor. Beyond any doubt, initiative and interesting ideas must be stimulated. But in amounts which are considered by society as a whole to be fair.

Indeed, we are not surprised, for example, by an award of 20,000 rubles being issued to the most deserving inventors. Yet we are properly bewildered by a life-long addition of 500 rubles to the wages of these same academicians.

[Borozdin] It is believed that all of this is the result of our age-long stereotypes with regard to understanding the principle of "to each according to his labor." What must be rewarded—the work process or its result? Over a period of years we have already paid for that which an individual was credited with having accomplished at a particular enterprise or organization and it is listed there in the official schedule. Herein lies the explanation for such problems as wage-levelling and the absence of stimuli for truly efficient work. The radical economic reform is placing everything in its proper perspective: the single objective criterion for work—its result. And what was the result for this particular cooperative? It has to do with an income of many millions of rubles and naturally with the fact that each member of the cooperative is entitled to his share of the income. This is precisely the question. Here I am in agreement: using a system of taxes and tariffs, the state must regulate the income from profit and particularly from the excess profit. This is being done throughout the world. Taxes can truly be high—up to 90 or more percent. This is fair. But I emphasize that all of these tax rates and scales must be established by the state.

When such a system is available, we will then be able to state just how valid are the earnings of Artem Tarasov or any other cooperator. As is known, a law governing the taxation of state and cooperative enterprises and private individuals is under development. But as yet nobody is able to determine if earnings of 20,000 rubles, for example, is legal and 25,000 rubles—illegal.

[Correspondent] It is somewhat disturbing to learn that cooperators sold abroad not their own but rather national products.

[Muravyev] Yes, here we have a true lapse in the laws. It is difficult to understand how a cooperative could appear not as an intermediary in the sale of products to a state enterprise on the foreign market, but rather as the owner of entire trainloads of phosphates and other materials that were not produced by it. A game played for the difference in prices between the domestic and foreign markets is indeed profitable. But these dividends must go to the owner and not to the intermediary. Beyond any doubt, a commercial idea must be encouraged from both a material and moral standpoint and in a manner so as not to violate social fairness in the process. These ideas can even be circulated and sales expanded, but only after agreement has been reached with society. It is believed that only the Supreme Soviet, in an open discussion by its deputies, can accept or reject such initiatives. Many factors must be weighed here, including the availability of additional workers and equipment and the value of a particular raw material.

[Borozdin] If the function of a cooperative is to serve as an intermediary, then it must buy from someone and sell to someone. And naturally it must strive to purchase at a cheap rate and sell at a high price. It makes no sense to do otherwise. If the phosphates and other materials sold abroad produced good profit for both the cooperative and the state, where is there any harm done? Obviously, assuming that these raw materials were not stolen, none of our laws or moral norms were violated. The fact that the enterprise which sold the raw materials to the cooperative at sub-standard prices suffered a loss is obviously another matter: it obviously had no idea as to how much money could be earned. But this question has to do with the competence of its leaders. What prevented them from including the following point in the agreement with the cooperators: if the intermediary obtains a profit greater than a stipulated amount, then he will withhold a definite percentage for the seller?

[Correspondent] Are you personally against cooperation?

[Muravyev] Certainly not. It presents tremendous opportunities for displaying creative initiative, of which there is a shortage in the sphere of production. I am disturbed only by the unhealthy distortions and the excessive growth in earnings compared to growth in labor productivity. If this is permitted for cooperators, why is it forbidden for state enterprises which are operating well?

Such individuals as Artem Tarasov can be of great benefit to the country. These energetic entrepreneurs emphasize that excess profit for their own consumption is generally not needed. It is the work itself that is important. We have many people who have agreed to convert their "business" into well paid work in behalf of society. So let us help them: let us create conditions that will enable these people to perform work in behalf of the state. This requires a planning and administrative staff for orders and control that is subordinate only to the soviets and also a flexible economic mechanism.

[Borozdin] I favor this but I am against counting the money in someone else's pocket. I also oppose a system in which, under the guise of state interests, the principles of the cooperative movement are distorted. When mention is made of unhealthy distortions in cooperatives that lead to excessive growth in wages over growth in labor productivity, I perceive the use of an incorrect approach. Because this is typical of many state enterprises which are dependent upon society for their existence. But cooperatives rely only upon their own strengths. Distortions certainly exist, but let us combat the real problems and shortcomings.

Let us also create laws which are wise and fair and which will regulate the diverse economic relationships in our country and which will guarantee stability and confidence in the future for all workers regardless of where they are working.

[Muravyev] I cannot agree. If we have in mind a legal society, then the "counting of money in someone else's pocket" is proper. It is realized in civilized countries with the aid of income declarations. The matter is not one of idle curiosity. You must admit that the "matter of 3 million rubles" provided a powerful impulse for questions to be asked, the answers for which are of vital importance to us. For example, there are the following questions. What do we need the most: 180 million rubles in the account of a particular cooperative or the goods and services which we lack? Will it not turn out that any millionaire who is able to exist on interest will exploit someone else's labor? And will he not include in social production his own relatives and heirs?

Let us discuss these questions in a more detailed and open manner.

Letter To Editor

18280107 Moscow OGONEK in Russian
No 12, Mar 89 p 4

[Article by V.V. Gurevich, Candidate of Technical Sciences and senior scientific worker at a scientific research institute]

[Text] The author of this letter to the editor lives exclusively on his wages and does not wish to become either an illegal or legal millionaire, but does hope that our children will live in a flourishing state.

During his meeting with representatives of the working class in the CPSU Central Committee, V.S. Chicherov, a brigade leader for fitters and mechanics of the Leningrad Metallic Plant Production Association, expressed dissatisfaction with the "large unearned income" of cooperators.

The people were especially indignant regarding the notorious earnings of 3 million rubles by one of them and are demanding that a campaign be waged against such phenomena.

A fitter at the Cherepovets Metallurgical Combine, Yu.V. Arkhipov, was dissatisfied with the card-coupon system for supplying products, on the basis of which a worker receives a half kilogram of sausage monthly.

It is no secret that there are illegal millionaires in our country who achieved their status through thievery, bribes and speculation in commodity shortages. Many are writing about this at the present time.

And then we have an enterprising and industrious individual who succeeds in selling to the West products which are produced in the USSR but not needed by anyone here, acquiring the needed consumer goods for currency, selling them within the country at the state price and thus earning millions—and we become indignant over this.

If we could find 1,200 such people—indeed our stores would be overflowing with consumer goods. Let these resourceful and energetic people become millionaires (or billionaires) and allow us to purchase all types of goods, including sausage, even sausage for our cats to eat.

Thus, what is your preference?

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**Goskomstat Survey on Working Hours,
Performance in Industry**

18280095 Moscow IZVESTIYA in Russian
18 Mar 89 p 1

[Article by Yu. Rytov: "How Many Hours in a Day?"]

[Text] The USSR State Committee for Statistics [Goskomstat] surveyed the work routine of 5700 associations and enterprises in the leading branches of industry with a work force of 5.1 million persons. This is 18 percent of the total number of enterprises and 27 percent of the total work force here.

How many hours are there in a day? (The reader already understands that we are talking about working days and working hours.) To date, not very many. On the day of the survey, the shift coefficient, calculated as the ratio of the total work force to the number employed in the heaviest shift, was 1.46. This means that our industry did not even reach the level of 1.5 shifts! Moreover we must also not forget: behind the average coefficient also stands enterprises with a continuous production cycle. Hence for the other enterprises, this indicator is still lower. The share of the continuous work force in a shift in the USSR Ministry of Instrument Making, Automation Equipment, and Control Systems, for example, is 70 percent.

I will now remind the readers of an initiative that was sensational 3 years ago but that has for abated somewhat of late. The idea that was expressed by Leningraders was extremely simple and promised a colossal economic effect. They proposed fully utilizing progressive equipment in two and three shifts at enterprises. As a result, enterprises freed themselves from the other, obsolete equipment. The production area that became available was used for reconstruction and for installing new machine tools and equipment. The funds economized in this way were channeled into the social sphere: housing construction and sociocultural facilities.

The idea was enthusiastically taken up in other regions. Economic managers shared their optimistic plans with satisfaction. But...

I turned to this topic about a year ago. (See IZVESTIYA, No 109, "Second Shift" Commentary.) It was already apparent that the initiative did not bring the impressive

results everyone had hoped for. In particular, in 1987 the number of workers working multiple shifts increased by only 320,000 persons or by 2.5 percent.

What is more, even these modest figures were exaggerated because of our stable penchant for putting on a show. Some economic managers, perceiving the transition to multiple-shift operation as just another "fashionable" campaign, cheerfully reported their support for the valuable initiative, but essentially changed nothing. They merely redistributed people among the various shifts and filled second and third shifts by reducing the first shift. The result of such manipulations was laughable. At the Lutskiy Instrument Making Plant, for example, the worker shift coefficient rose while the equipment shift coefficient declined.

Even then, a year ago, the causes of the difficulties confronting the Leningrad initiative were clearly discernible. We know that the so-called human factor can have either a "plus" or a "minus" sign. In the given instance, the minuses outnumbered the pluses. Is it necessary to explain that a multiple-shift work routine is inconvenient for many people? And such inconvenience naturally cannot be compensated merely by appeals for the high effectiveness of one's production facility even though the awareness of this thought is also extremely important. Nor does additional pay for evening and night work save the situation. Multiple-shift operation requires serious change in the social sphere starting with transport services and ending with the 24-hour operation of kindergartens and day care nurseries. And there was not enough diligence for this.

The survey showed that more than half of the working people working the second and third shifts were dissatisfied with the operation of urban transit. Forty percent were unhappy with the operation of trade enterprises. Public dining facilities were not available to 65 percent of the third shift and to 35 percent of the second shift.

And now another year has passed. What has changed during this time? Essentially nothing: the initiative has petered out. Judge for yourself. In early 1986, the shift coefficient of workers in industry was 1.42. By the beginning of 1987 (the campaign developed energetically), it increased to 1.46. And as already mentioned, it stuck at that mark.

It is a paradoxical fact that for some reason women who are burdened with family cares proved to be much more receptive to multiple-shift operation than men. The "female" shift coefficient is significantly higher in almost all branches of industry. In particular, it is 1.78 in the gas industry, compared with 1.33 for men. In ferrous metallurgy—1.62 and 1.52. In the chemical and petrochemical industry—1.52 and 1.40, respectively.

Nor can we fail to mention the fact that the compilers of the last statistical summary could not refrain from a bit of cunning. In order to give the impression that things were better than they are, they compared data for 1988 not with 1987, not with 1986, but with 1985!

We will also use such a comparison. The share of industrial workers continuously working one shift was 46.2 percent in August 1988. In 1985, it was 48.8 percent. The share working two shifts was 31.0 and 29.1 percent respectively. The share of those working three and four shifts was 22.8 and 22.1 percent.

What is the present correlation in the leading branches of industry? In the electric power industry, 69 percent of the workers worked one shift; 14.3 percent worked two shifts; and 16.7 percent worked three and four shifts. Elsewhere the corresponding figures were: 54, 37 and 9 percent in the oil production industry; 42.2, 16.6 and 41.2 percent in the oil refining industry; 53.1, 37.6 and 9.3 percent in the machine building and metalworking industry; and 37.5, 46.4 and 16.1 percent in light industry.

It is obvious from these figures that practically every branch has enormous potential for increasing the shift coefficient. Why is this potential not used in full measure?

I do not think this is due to someone's negligence. There are objective roots underlying the decelerated rate of introduction of the "multiple shift." After all, not every enterprise can by any means appreciably influence the social infrastructure. The local authorities do not as yet dispose over the corresponding material base for this. Probably only regional economic accountability will be able to resolve the problem entirely. The enterprise and the territory will be joined by the bonds of mutual economic interests. The better an enterprise works, the higher will the payments to the local budget be. And then the enterprise will acquire a mighty ally, that possesses real power and territory, in all its initiatives and activities.

Regional economic accountability is not far off. We hope that it will provide new impetus for many interesting plans that have not as yet been properly implemented. Included among them: the introduction of a multiple-shift work routine.

Paper Sponsors Discussion Of Manpower Problems

18280046 Moscow IZVESTIYA in Russian
11 Jan 89 p 5

[IZVESTIYA correspondent M. Berger interviews Kyoto University economics professor S. Otsu and USSR Gosplan Economics Research Institute director V. Kostakov: "100 Percent Employment and the Manpower Market: How They Affect Economic Performance"; first four paragraphs are introduction]

[Text] This interview was set up at the initiative of the editors. Kyoto University professor of economics S. Otsu met with USSR Gosplan Economics Research

Institute director V. Kostakov in the USSR, and the two economists discussed the following topic: employment and how it affects socio-economic development.

Professor Otsu is the author of the book "The Manpower Market in the USSR Today," for which he received a top award in Japan last year. His success indicates that he is a fine scholar, but also shows that researchers in the capitalist countries are becoming more interested in the economy of the USSR.

Professor Kostakov has written many works on employment issues. He is the former head of the manpower resources office at the institute he now runs.

I started our discussion by reminding Professors Otsu and Kostakov of an idea whose brief appearance in a magazine 18 months ago caused quite a stir. That idea was that we might soon see a reserve manpower pool.

Berger: Now that things have cooled off a bit, why don't we discuss this issue. Is a manpower market going to remain a theoretical construct for us, or is it a reality we will soon be seeing?

Kostakov: No one doubts that a society has to have reserves, be they material, financial, or what have you. But as soon as manpower enters the picture, we start asserting that we cannot tolerate reserves of this kind. There is a logical flaw here. Actually, it may not be so much a logic problem as it is fear of calling a spade a spade. We have had manpower reserves in the past, and we still have them. For example, in the late 50's, 25 percent of the able-bodied work force worked on personal plots or farms. They had no other jobs, and received no other income. That number has now dropped to only 10 percent.

We also have to remember that in the so-called "manpower-rich areas" there are people who we politely call "job searchers." We are afraid to say the word unemployment because its absence constitutes one of the advantages of socialism. But whatever name you give it, its economic meaning is not going to change.

Berger: It is more accepted to speak about internal manpower reserves at a factory, idle time on shifts, work design...

Otsu: I have to say, Japanese economists feel "internal reserves" must be something mystical and beyond comprehension. They have no idea what the term means.

Kostakov: I know why they can't understand it...

(Interviewer's comment: I would like to note that it proved impossible to translate not only certain concepts, but words as well. It produced quite an impression when the Russian words "levelling" [uravnilovka] and "parasitism" [tuneyadstvo] were simply pronounced with a Japanese accent. Years ago, the world borrowed the

word "sputnik" from us. And not too long ago, the words "perestroika" and "glasnost" began their travels. But experience has shown that the world borrows words without translating them from many other countries besides ours.)

Otsu: I have carefully studied the works of Soviet experts on manpower, and then used their techniques to evaluate internal reserves. It is quite entertaining. One problem I am aware of is absenteeism, either because of illness or leave without pay. We have exactly the same thing. But we almost never have blitz-type production schedules, and our machinery rarely idles because it is broken or materials are not available.

Berger: Let's get back to the problem of the manpower market. Can a highly sophisticated economy get by without one? Many people, including some here, feel one of the primary motivators for any employee is the fear of losing one's job.

Otsu: Yes, theoretically one could say the higher the level of unemployment, the better the economic performance, and vice versa. But Japan does not have a manpower market in the western European sense of the word.

Berger: Do you mean Japan's famous high level of science and technology doesn't squeeze working people out of jobs?

Otsu: Of course plant modernization and other circumstances lead to cuts in the number of jobs, but as a rule people still do not lose their jobs. I can explain this if I use one of our large steel companies, "Sin Nippon Seitetsu," as an example. With a work force of 100,000 persons, it cut 19,000 jobs last year.

Kostakov: So aren't they unemployed?

Otsu: Within the steel company, there was a concern that prepared meals for the company's cafeterias. In addition, the steel company created concerns specializing in computer manufacturing and software engineering. All these concerns hired personnel who had been working for the company in one of its steel production facilities. So all 19,000 of them received new jobs, yet officially remained employees of the same steel company.

Kostakov: Are you saying that you have no problem of "redundant" workers at all?

Otsu: To a certain extent we do, but it is not as bad as in the western countries, and is different in other respects as well. As you know, Japanese personnel policy rests on three pillars: life-time employment, wages commensurate with years of service, and labor unions organized along plant rather than industry lines. Because of these three pillars, we have been able to keep unemployment at a very low level for a long time.

Of course manpower turnover is high within companies, but employees do not lose their jobs. The main problem is that a transferee's new job may be at a branch located in a different city. Quite often, an employee in this situation will not be able to take his family with him. This is a serious social problem. Children grow up not knowing their parents, and relations between husband and wife become strained.

In addition, it is an economic burden, since the individual moving to a branch of his company has to buy new housing and effectively duplicate his household.

But people accept this. There are currently 1.8 million people working in new locations without their families.

(Interviewer's comment: I do not believe Professor Otsu is familiar with the form of seasonal [vakhtoviy] employment we use. Otherwise he would not have treated the problem of people agreeing voluntarily to work apart from their families, as well as the hardships this causes, as a purely Japanese phenomenon. Their situation sounds a lot like what our seasonal labor deals with. Of course, the Japanese find it much easier to duplicate their households than our seasonal workers.)

Berger: Even so, you have unemployment too, don't you?

Otsu: Yes. Last summer it was 2.8 percent. This is the highest level since World War II. But I would like you to be aware that no less than one third of these consisted of people who consciously preferred getting unemployment benefits to going to work. Among them were many young people who had worked four or five years, and then taken a break to decide what to do with their lives. They get 60-70 percent of their salaries.

Berger: And how long a period of paid introspection do they get?

Otsu: From six to nine months, depending on their job seniority.

Kostakov: I would like to add that we could probably find people who would be willing to leave their jobs if they got 70 or 80 percent of their pay. The economy would also benefit from this, since we would be able to organize and motivate workers more effectively.

Berger: But when we see "voluntary unemployment"—if I may use the term—we call it parasitism and put the offender in jail.

Kostakov: We have long thought that every able-bodied adult who is not a student must work continuously throughout his life, as long as he is able. But this ignores the person as an individual, and instead sees him as a manpower resource.

Naturally, anybody who lives on illegal unearned income is immoral. Yet there are other sources of income, such as inheritance. I can think of many reasons why a person who had the resources to do so would want to take a break from his job. Why not give him the right to choose?

Otsu: In my opinion, a society in which no one has the right to be unemployed cannot be considered free. There is no question but that crime is higher in places with high unemployment. But crime is a problem that is not necessarily caused by employment.

Kostakov: I agree with you.

Otsu: The ability to choose whether to work or be "voluntarily unemployed" for a certain period of time is important, and affects the performance of the labor apparatus and the economy as a whole. In my opinion, the fact that the manpower turnover rate is high in the USSR indicates that "voluntary unemployment" is also a feature of the Soviet economy.

My feeling is that objecting to any unemployment is not only scientifically unsound; it makes it difficult to formulate an effective social policy as well.

Kostakov: I agree with you. Besides freedom, which we limit through our policy of 100 percent employment, there is another, purely economic dimension to the issue. There are certain structural changes that our economy desperately needs, including new management techniques and progress in science and technology. And we know these structural changes are inevitably accompanied by lay-offs. So we need to be ready for these eventualities, or we will not be able to provide for the people affected by lay-offs or help them find employment in other sectors of the economy.

We should note that some steps in this direction have already been taken. Since last year, workers laid off because of reductions in force have been receiving full salary benefits for three months after the date of termination. This is clearly a step forward, although it is only a single step. We have learned, along with other countries (some of them socialist), that three months is not enough. For reasons not under the control of the individual, a period of unemployment may last longer than the time allotted.

To sum up, the steps we have planned in this area are not yet sufficient to ensure we will be able to reach our productivity enhancement targets or make the structural changes projected for the economy.

On the other hand, the fact that we are experiencing serious problems with employment shows better than any reports—or rather despite the reports—that advanced technologies and modern manpower resource management techniques are being used.

The widely held view that manpower surpluses in our planned economy will automatically dry up is a dangerous illusion.

Berger: Professor Kostakov, perhaps the absence of noticeable lay-offs is due to the manpower shortage we hear so much about.

Kostakov: The labor shortage is a myth that benefits many managers and planners, who are always complaining that they need more workers for their busy periods or seasonal workers for agriculture. But even the most conservative estimates show the economy is over-employed by at least 10 million persons.

Otsu: Starting under Stalin, one of the slogans most often seen in the USSR was "Down With Levelling." Yet the problem of levelling has still not been solved, and the slogan is more relevant today than ever.

Kostakov: Unfortunately, it is hard to disagree with you here. Some people might find it strange to hear there is more levelling now than there was even under Stalin, when the pay differences between workers and engineers, technical personnel, and various other professionals were much greater than they are now. And interestingly, those involved mainly in "brain work" were at the higher end of the pay spectrum. We often hear that we produce engineers of such poor caliber that we would be better off not paying them at all. But we need to keep in mind that it is low pay which has given us so many of these mediocrities in the first place.

Otsu: Also you have engineers doing the jobs of workers. My figures show you have around two million people in this category.

Kostakov: I am constantly amazed by the framers of the existing or planned wage scales, as well as the experts who criticize them, because none of them see a connection between wage rates and the employment problem. Why is this? After all, it seems clear that if the wage schedule were modernized and based on the optimum use of manpower resources, there would be no chance for machinery to sit idle and no need for production blitzes. And ultimately we would need fewer people working in the national economy.

It is a mistake to address employment policy without also addressing wage rates.

Otsu: What is the point of hanging on to the wage rate system in the first place? You needed it during your period of industrialization and when socialism was being built, but it is obsolete now.

Berger: But you have a system of wage rates, don't you?

Otsu: Yes, but each enterprise has its own. Do you really think your Goskomtrud [State Committee for Labor and Wages] is capable of keeping up with the working conditions and performance of workers at tens of thousands of different enterprises? Social justice and industry-wide wage rates are mutually exclusive sets.

I do not think a motivated work force is compatible with wages that are based on a centralized rate. To be perfectly frank, I seriously doubt that wage reforms based on a single wage scale will change very much in the pay system or improve the situation on the job. In fact, is it even theoretically possible for you to set up a workable wage rate system using the personnel output quotas now in practice?

Berger: Professor Kostakov, do you agree with this severe criticism of the wage rate system?

Kostakov: In principle, yes. But I would like to add one thing. Why doesn't the wage rate system eliminate levelling? In trying to find an answer to this question, we are once again brought back to the issue of employment. As long as we artificially maintain 100 percent employment, there is no possible way we will be able to create a modern system of wages.

If we study the issue in still more depth, we will invariably encounter the problem of how to evaluate the performance of an enterprise. Plants in Japan work to satisfy the needs of people and industry. If they fail at this, they are not profitable. But our plants work to meet the targets in the Plan. The Plan is paramount, whatever it costs, be it overstaffing, profligate usage of resources, or what have you.

We need to change the way we evaluate performance, or we will not be able to solve the problem. And as we effect these changes, we must be aware of the experience of others around the world, including those you have spoken of Professor Otsu.

Need for Better Training of Managers Stressed

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[Interview with Boris Zakharovich Milner, deputy director of the USSR Academy of Sciences Economics Institute, by OGONEK correspondent Tatyana Galyuk, date and place not given, under the rubric "A Timely Interview": "Such Simple and Complicated Management!"]

[Text] The word *menedzher* [manager] is fashionable nowadays—It is a new word to a certain extent, a product of the economic reform that has begun. Borrowed from the West, the word is literally translated as an enterprising executive and administrator. It turns out that a recently opened training center for *menedzhers*, under the Moscow National Economy Institute imeni Plekhanov, is intended to graduate specialists of just this type. But, such being the case, the natural question

arises: Why? Have management practices not been learned here before, and have the requirements for captains of industry and the methods for evaluating their activity not been developed?

"I shall try to answer these questions," said Professor Boris Milner, Doctor of Economic Sciences, a deputy director of the USSR Academy of Sciences Economics Institute, who has been studying Soviet management and *menedzhment* [management] in capitalist countries for many years, in an interview with OGONEK correspondent Tatyana Galyuk.

"It is a transfer by translation," continued Boris Zakharovich, "but *menedzher* specifically denotes a business executive and administrator. The schools that train *menedzhers* in the West are not called schools of business administration or business schools by accident.

"But what sort of executive has our control-and-direction administrative system shaped for decades? Those qualities, thanks to which the executive fitted into its hierarchy, have been valued most of all. In the first place, the system had no need of those executives (and there was no necessity for their training) who could independently analyze a situation, make decisions, negotiate with contractors, and determine alternative moves relative to one or another decision's profitability.

"The system needed a rubber-stamp executive, fulfilling, at all costs, an assigned plan imposed on him from above, which he had not developed. For this plan, the executive received the funds for his resources. He did not have to seek suppliers. For this plan, he received a list of the enterprises to which he was to send his products in such and such a quarter. It was unnecessary for him to take risks on the market. What the consumer needed was decided for the executive, on the assumption that even the consumer himself had not developed to the point of understanding what he needed. And, if the executive wished to encourage someone, he could not do that either, because he was held in a vise of strict limits. Any unplanned initiative was unacceptable.

"Fortunately, the picture is changing today. Under economic-accountability conditions, executive independence is increasing, and precisely this independence has been the instigation, to a certain extent, for resorting to the practice of *menedzhment*."

[Galyuk] Obviously, the *menedzher*, being an entirely new kind of executive, must also, if one may so express it, adhere to entirely new economic ideals. Which of these are the most characteristic of today's *perestroika* process?

[Milner] The year before last our wholesale trade volume amounted to 10 billion rubles. Last year—40 billion. As the State Committee for Material and Technical Supply [Gossnab] has promised, we shall have a volume of 115 billion rubles in the current year. This is already a

substantial share of our trade. It is expected that wholesale trade will become our dominant form of resource distribution by 1991. Economic-accountability intermediaries, in the form of district Gosplan agencies, will be engaged in this.

The matter entails the creation of a socialist market, and the *menedzher* must make his appearance in it. He must seek his consumer. He must keep abreast of consumer-demand dynamics and changes in demand requirements. Production dynamics will be shaped precisely as a result of this. The *menedzher* is the person who must bring about the transition from dictatorship of the producer to dictatorship of the consumer. However, this is just the beginning. In the future, the *menedzher* must be fully oriented with respect to what prices are developing on the market and where he must seek profit in order to achieve the best results with the least costs. And the main thing is that he must make decisions independently. You know, when you are faced with the necessity of making a responsible decision, the temptation is great to pick up the telephone, call the main administration, and ask: May I do this, or is it prohibited.

Of course, it is possible to study the socialist market, provided that it exists. But its vitality has been invested in socialist competition which, at the moment, is mainly in the form of our wishful thinking.

However, there is a future for socialist competition. By distributing the enterprises, shaping or reshaping their specialties and ensuring their specialization and cooperative functioning, and even by price policy and taxes, we must create conditions for the elimination of monopolies, in order that real competition, not mythological, can develop.

This circumstance requires a new type of executive.

[Galyuk] To tell the truth, we are tired of idle talk about our inflated administrative apparatus. Why, according to the latest counts, we have almost 18 million administrators. And the *menedzhers*? Does it turn out that they will reinforce the army of "white-collar workers"?

[Milner] Let us sort out the facts in this. Of the 18 million administrators, we have 2 million who are workers in state administrative agencies. There are about 200,000 administrators in the ministries. The remaining 16 million are those who serve in the enterprises, associations, and economic organizations.

Shall we analyze which of these 16 million persons are truly *menedzhers*? They are those who are rightly regarded as directors, chiefs of various ranks, managers, supervisors, and foremen. A person who has subordinates is considered to be a *menedzher*. If you have one subordinate, for example, you are already a *menedzher*. There are 5.252 million of the kinds of people who have subordinates in the enterprises and organizations. The rest are engineering and technical workers, economists,

and bookkeeping-accounting and office personnel. There is still another category—service workers for the administrative personnel: building superintendents, security guards, messengers, elevator operators, cleaning women....

The paradoxical proportions are readily apparent here. The number of bookkeeping-accounting personnel; that is, the number of those who only take account of what is done by others, is about three times as great as the number of economists, and as great as the number of the enterprises' and associations' engineering and technical workers. The number of service workers—building superintendents, security guards, and messengers—is 1.6 times as great as the number of engineering and technical workers and 5 times as great as the number of economists. Those who handle the paper flow, tidy up the workplace, and mind the materials and products number 7.134 million persons. That is, they are 1.3 times as numerous as the executives, almost 3 times as numerous as the engineering and technical workers, and 8 times as numerous as the economists.

Franz Kafka said: "Suffering humanity's shackles are woven out of office paper."

We now have 100 billion documents circulating in the country annually. Of these, five billion are invoices and four billion are intra-enterprise orders. We expend 600 million man-hours of our personnel's work on these 100 billion documents.

These figures, forgive me for their abundance, bear witness that we are making no progress in solving many problems.

So, should we change the cause and not the effect? Of course, the simplest thing is to say: Let us reduce the number of bookkeepers. In that case, our record keeping would suffer. Something similar would also occur with the office personnel, whose numbers show that we have huge amounts of correspondence and a tremendous paper flow.

Yes, our administrative apparatus's misshapen structure must be corrected.

I shall add an example concerning correspondence. For many years, the Americans have been calculating how much a business letter costs. After breaking down into elements and studying a letter's entire handling technology, including its paper, its delivery, and even the time to prepare an answer to it, they have concluded that a business letter is an expensive luxury, now costing about \$6.00 in some places.

I know firms that have decided to eliminate business correspondence within their subdivisions entirely. They consider it better to pay a million dollars a year for telephone conversations than to expend funds on paper.

In my opinion, we have not engaged in analysis of anything similar here. Indeed, we have hardly been truly engaged in management processes heretofore.

[Galyuk] Boris Zakharovich, may this be construed as meaning that the *menedzher*, having made his appearance in the economic administration system, will begin to dismantle it? In general, what kinds of conditions does the fact of the *menedzher's* existence create in itself?

[Milner] We say that our reform stands on two legs. One is the economic machinery and the other is democratization, the human factor. Well, the *menedzher* is in both. He is the child of democratization. The democratization processes have a direct bearing upon that same *menedzher's* working methods: How he makes decisions, and how he motivates people to implement his decisions.

But there is another set of circumstances that attests to the *menedzher's* playing a rather important part in controlling the *perestroika* processes themselves. In accomplishing *perestroika*, we encounter the old procedures, the stereotypes, the unwillingness to break with the cut-and-dried past. The *menedzher* must break this ice. He is not simply a creature of the new economic machinery, but *perestroika's* locomotive. He must also manage the *perestroika* processes and convert their system from the old condition to the new.

Therefore, when we talk about the human factor, we should bear in mind that everything has to be sorted out, and the roles must be defined. The role function is very important during the transition period. It is necessary, not only to know how to eliminate the outmoded, but also to be able to do so in such a way as not to cause social unrest. The *menedzher* must be both the *perestroika* processes' executive and their catalyst. This is the *menedzher's* specific function during the *perestroika* period.

[Galyuk] And how are the *menedzher's* contribution and his share in the enterprise's profit to be defined? Is he also tied to the end product?

[Milner] Once, when in the USA, I had occasion to observe the actions of Michael Blumenthal (former president of Bendix, and now chairman of the Unisys board of directors) "from the inside" for several days, and, for example, I attended a corporation executive committee meeting, at which was discussed the issue of whether it was necessary to put two marketing managers on the commercial department's staff. The head of that department had requested that his staff allowance be increased. The president asked: And by how much will sales volume be increased by the increase in department staff members? Proof was required to resolve the issue....

If one is to speak in general about the manager's contribution to end results, it is not a simple matter, inasmuch as a result also depends upon technical progress and the

skill of the workers, upon production machinery condition, raw-material quality, etc. And what sort of contribution? Here it is necessary to proceed on an entirely different basis because, without the *menedzher*, there is nothing at all. *Menedzhment* is working out the very strategy of an enterprise's development, optimizing its development plans, and selecting the most advantageous courses for both its product production and its relations with the consumer.... This is the sort of thing upon which everything depends. At one and the same time, it can ensure profitability or outright losses.

In my opinion, it would be more appropriate, not to single out what the share in achieving the end results is, but to proceed simply on the premise that there is no efficient production without effective management.

It is a pity that the economic system, under which we have lived during the course of many years, has set up great obstacles to the enterprises' development of opportunities on their own accord, to their initiative. The system has constantly missed opportunities. These have been lost in its own machinery. A great number of missed opportunities!

[Galyuk] How does the "You-to-me, I-to-you" principle fit into the *menedzher's* activity?

[Milner] Under the new economic conditions, what I must do on state requisition [*goszakaz*] is prescribed to me. All the rest that I must do is in excess of state requisition—it is my relations with the consumer. If I have a spare machine tool or spare raw material, I have the right to sell it. Such was never the case before!

Goods and material assets worth hundreds of billions of rubles are lying in reserve at the enterprises today, and these, to a certain extent, are deadwood.

If I do not take advantage of the Law on Enterprises' provisions, there will be no self-financing at all. According to this law, I may sell everything that is not necessary to the given production. I may buy on the same basis. I sell the spares, my own, that have settled out within the billions of rubles. There must be what the English call "flow"—free movement of material resources—and not their holding back. Thus, "you to me, I to you" is the market, the exchange of resources.

It is another matter if I take a machine tool off an operating line, disrupting my technological process, and "push" that machine tool. Then I must be prosecuted. But, excuse me; if I have spares, I am the owner, and I make the moves; I am an enterprising person, and I assume the responsibility for my word and deed. In short, everything, which is not prohibited by the law, is permitted.

[Galyuk] In your view, what traits are indispensable in a *menedzher*?

[Milner] We have somehow gotten into the habit of always "correcting errors." This process has almost become a norm, an aim, a routine task in new development stages. But then, why "are the errors made"? Why does the management system "produce errors" in a torrent? Why does this happen, not once, not twice, and not in isolated cases, but for decades? There are many reasons—these are being talked and written about now. However, one of the main ones, to which, unfortunately, little attention is being paid, is incompetence, ignorance of management's fundamental principles and methods.

As all of our past experience shows, there is no substitute for competence. It is the basis, the condition, and the guarantee of there being fewer errors and less loss. It seems, said Chateaubriand, that action which is not based on knowledge is a crime.

Both the country as a whole and its individual economic elements have already paid too high a price for incompetence and absolutely intolerable ignorance. We catch and prosecute petty thieves for stealing a 10-ruble trinket. Well, what is to be done about a multibillion-ruble loss caused by an unfounded decision made on the basis of subjective thinking, limited knowledge, and outmoded undemocratic traditions and dogmatism?

Some people, even now, are trying to raise the so-called "fresh-outlook" principle of not being burdened with professional knowledge and experience to norm status, especially in the economic area. Neither rank nor position nor "hype" will fill the knowledge and know-how gap when the "regalia" of office are obtained through the influence of a "bigwig" or connections—something that, unfortunately, became a very common occurrence during the voluntarism and stagnation periods.

Hence the empty slogans and word-mongering instead of a well-founded course of actions, the unlearned discussions instead of profound analysis and thoroughly weighed judgments, the subjective decisions instead of unfettered expert conclusions, and the quasi-official approach to the setting of impracticable or unnecessary tasks. "The economy must be economical"—Is this not an aggrandizement of the thoughtlessness raised to the status of a national task?

Yet another mammoth problem is honesty in management. We have been witnesses to an enormous torrent of lies. The dishonest manager always awaits and selects that information which indicates that he is performing successfully, automatically deleting what is negative. This is the prime source of a lie that grows like a snowball at every turn on the way to the Union Republic State Committee on Statistics [Goskomstat]. A tremendous all-union lie about tempos, total production volume, percentages, etc., takes shape.

The lie prevents the making of correct decisions, and creates a false picture of performance.

I should still like to single out such a trait as responsibility. Business life is incompatible with irresponsibility; it is immediately destroyed by the latter. Irresponsibility is the weapon most deadly to business life.

[Galyuk] Is it obvious that such a trait as knowing how to take risks should also be added here?

[Milner] Absolutely! You know, the price of the decisions being made is constantly increasing. Technical progress requires large investments and spurts. We are encountering situations, in which ignorance of results is a feature, more frequently today. The routine problems—let us say a piece of equipment has broken down and needs repair—we know how to solve. There is a high degree of uncertainty with the nonroutine ones. But, on the other hand, there is the "test-the-market" concept. You will never see an indication of the number of copies printed in foreign book editions. They put out 10 books and see how they will sell.

There come to mind the pronouncements of John (Humble), the author of five partly humorous postulates containing, in my opinion, almost all of management wisdom. The principles of J. (Humble), who works as consultant in one of the international consulting firms in Brussels, are formulated from the subordinate's standpoint with respect to his boss.

The first: Tell me what you expect of me. That is, state my task clearly, unequivocally; otherwise its performance will be unsure.

The second: Give me a chance to act. If you have already set a goal for me, do not interfere, but give me the freedom to act.

The third: Tell me, how are my affairs going? I must constantly know: Am I nearing the goal or not, and am I on the right track?

The fourth: Help me when I need help. If I do not need help, it is unnecessary to worry about and watch me.

The fifth: Reward me in keeping with my contribution. This is the principle of material incentives, motivation, and the like.

[Galyuk] To what extent may it be expected that the menedzhers will remove the series of problems that abound today at any enterprise?

[Milner] It would be naive, of course, to suppose that the menedzher, trained according to all the rules of science, will automatically ensure the successful solution of all problems. I know of a case in which one aged Japanese entrepreneur willed his rather large firm to his son, a professor in the management field. After his father's death, the son came into ownership of the firm, and

immediately began to apply only scientific methods to the making of management decisions; and...after 3 months, the firm "went down the tube," went bankrupt.

The menedzhner invariably has to consider the real contradictions between economic advisability and the sociopsychological situation, between logical decision models and the nonlinearity of economic reality, and between the characteristics of an individual and those of the demands that are made of him or her. The desirable and the real—here are the two pans of the balance on which a menedzhner weighs his chances, and of which he constructs his "balance of the possible."

Without question, the menedzhner is an important link, one of the most important. He may thrash around like a fish out of water if tempos, volumes, and all the rest connected with the old economic machinery are demanded of him as before. It will again be a thrashing around to achieve good indices in the presence of poor results.

[Galyuk] And the danger that all whom you have trained will be unable to realize their potential is not ruled out. Does everything depend upon how consistently and extensively we introduce the new economic machinery?

[Milner] A problem exists for the competent executives. They must have a microenvironment, persons with similar views at the enterprises themselves. Picture it: The menedzhners will come, trained and knowledgeable, into the old environment and immediately clash with the substandard production culture and economic illiteracy of their surroundings. Unquestionably, we need mandatory universal training in economics. But the main thing is for the training content and methods not to fall behind production's requirements.

There is one interesting feature of Western experience. In recent years, they have been taking the entire chain of command, the whole management pyramid, to business schools for training at one time, and bringing it up to the same training level all at once so that everyone will be able to do business with each other in the same language. It is gratifying that such experience has begun here. The Society for Knowledge [obshchestvo "Znaniye"] has already conducted a course twice: The entire Kama Motor Vehicle Plant [KamAZ] took the course.

We worked, by a similar system, with specialists of the motor vehicle plant being constructed at Yelabuga. All of the jointly subordinate groups were in the lecture hall. This is an interesting thing. To me, as lecturer, it was very interesting to work with them.

[Galyuk] Boris Zakharovich, menedzhment has existed for a long time in the West. What do you think we need to borrow from it?

[Milner] Indeed, this profession's evolution has its own long history. For example, the first business school in the USA was founded in 1886. The first textbook on management was published in 1910.

Nevertheless, there still is no integrated concept of menedzhment "philosophy" in the capitalist countries.

Leading scientific management schools, (Taylor), (Fiore), (McGregor), Mayo, and others, have approached the formation of an executive personality from its different aspects: from both the character-trait and knowledge aspects. And they have interpreted these in different ways.

I think we need to borrow from them (not mechanically, of course) their organization for training menedzhners as professionals. By what characteristic traits is the executive distinguished here? Well, he is partly a public figure, partly a technologist or engineer, and partly a good fellow. We are not yet training professionals, and we give training only in small doses, to broaden the horizon so to speak. But we must train professionals! I have not yet spoken of the fact that four subjects, seemingly elementary at first glance, have become mandatory in Western business schools during recent years. The first is: Knowing how to speak correctly, and in such a way that subordinates will understand, unequivocally, in the setting of tasks, and taking the subordinates' age, psychology, experience, and temperament into consideration. It is an entire science!

The second: The executive's knowing how to listen to a person with whom he is talking. You know, our executives do not know how to listen (a disease of the administrative control system).

The third: Knowing how to write correctly. Verbosity, lack of information, and vagueness can have undesirable consequences in business correspondence.

The fourth: How to read properly, quickly grasp the crux of a problem, and correctly make a decision.

We do not have such subjects as how to behave with people, and how to organize a conference properly. And it is clear, for example, that a report lasting over 20 minutes does not arouse the listener's interest at a conference. A meeting that goes on for over 2 hours is ineffective. An assembly at which long-winded speeches are made is uninteresting to those attending. Is the problem how to organize people's interaction in the management process so that it will be effective, will not cause disgruntlement, and will not alienate the executives?

I see a need to teach executive ethics for example. Take a look at what often actually occurs: rudeness to subordinates and drunkenness with their own power, which give rise to an anything-goes attitude.

On the one hand, the control and direction system has created a nutritive medium for rudeness because its main tool has been the order, the directive. But, on the other hand, rudeness also creates a certain atmosphere in an organization. Such an antagonistic style humiliates the worker, makes him spiteful, and has the nature of a chain reaction at all levels. The spitefulness and the intolerable situation cause the business a loss. The subordinate, who is verbally abused, inwardly rejects the executive's identity, and reduces it to naught.

In general, I consider the trait that has to be developed the important one—it is enterprise, a preoccupation with practical action. The preoccupation is like a drive to overcome difficult situations for the purpose of obtaining effective results.

And there remain responsibility, organization, accuracy in one's work, and fostering the same in subordinates. These have attained cult status in Western menedzhment.

We are not just improving the system now, perfecting it as one might have said before, but changing it completely. We are going into an entirely different system, based on economic methods, the use of economic relations, and destruction of the control stereotype. However, it is particularly important not to forget about the socialist system's differences in principle from the capitalist. The task of our menedzher is to use public property for his means of production, and to work in the interests of that property. Our menedzher is socially oriented because he serves the owners of his means of production—the labor collectives, the workers.

[Galyuk] Boris Zakharovich, frankly speaking, the fear always arises that the present centers for training menedzhers, which are springing up in various parts of the country almost daily, are operating in a mode that is far from current; and the people who have founded them do not seem to be entirely the sort that it is desired to have at the end of the "pipeline."

[Milner] Unfortunately, you are right. In my opinion, there are enough recurrences of the old thinking. Why, the whole system for training and retraining executives had been reduced, and is often reduced now, to a skill-increasing system, with all of the consequences stemming therefrom. We have about a hundred skill-increasing institutes [IPKs], belonging to the ministries and departments. The retraining of personnel in management is taking place in them on the same level and together with the retraining of engineers, technologists, designers, other professional workers, and engineering-technical personnel, and not as a main form. And it is perfectly obvious what this skill-increasing practice is when people arrive to listen to two kinds of lectures: political economy lectures rather far removed from the applicable problems that have to be solved, and scientific lectures pointing out the mathematical modeling potentials of various processes that the people are never

going to use when they go back home to their jobs. Reality demands that this approach itself be fundamentally changed. But this is not simple because new curricula, new approaches, and different instructors will then be required.

It seems impossible to deny that there really is a striving to seriously train and retrain management workers in some cases. But in others—this is giving in to a fad.

Executive training cannot be haphazard and conducted from time to time. Executives need to be prepared in the same way as we prepare mathematicians and physicists. The profundities, the fundamentals, and the skills are needed if we want to create the new type of executive.

One other circumstance is associated with the fact that the retraining, not only of executives, but of specialists as well, has been carried out on the catch-as-catch-can principle. First it is necessary to make the machine tools and build the plant, and who is going to be there—that will be as it may. There is such a principle, which I heard on the KamAZ construction site a while back: Come on, get going; we'll worry about it later. Why are people coming into unequipped lecture halls? Why are there none of the computers that you will see in any underdeveloped country at retraining centers? I saw them in Venezuela, in Portugal, and in various countries that are not among the top ten industrially developed countries. I have seen the very best and the very worst centers. However, I have not seen unequipped lecture halls, lecture halls without equipment according to the last word in organizational and computer technology. I have not seen a management school that was not using both lectures and hands-on methods, games with role-function execution, various simulation classes, and a great deal more.

I am afraid that the lack of organization, the underestimation of the task's importance, and the haste, not only will not help, but may even do harm because these discredit the training system and accentuate the matter's easiness. It is possible to have a good system of incentives, a low rate of state ordering (for which everyone is now struggling), advantageous economic norms, and even a favorable taxation system; but, if there are not going to be people who have the ability to analyze a situation, make efficient economic decisions, and interact with other people, primarily laterally and not vertically, management perestroika, alas, will not even occur.

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Goskomtrud Official On New Regulations For Regular Leave

18280048 Moscow IZVESTIYA in Russian
12 Jan 89 p 6

[L. Ivchenko interviews Leonid Prokopevich Sharikov, deputy chief of the USSR Goskomtrud Office of Labor Management, Productivity, and Occupational Environment: "What The New Rules Say About Regular Leave"; first paragraph is introduction]

[Text] The USSR Goskomtrud has drafted legislation to improve the situation surrounding leave. The proposed

regulations are being studied by the Soviets of Ministers in the union republics, as well as by ministers and departments, all of which are seeking to finalize a new leave policy. We asked Leonid Sharikov, deputy chief of the USSR Goskomtrud Office of Labor Management, Productivity, and Occupational Environment, to tell us about the new regulations.

Ivchenko: Leonid Prokopevich, everyone is wondering what is going to happen to vacation leave, especially people who do not get much in the first place. Are there going to be any changes for the better? And what made it necessary to review the existing rules?

Sharikov: The main idea behind our innovations has been to improve the vacation leave situation and insure social justice, which has suffered in the last few years due to the complex, unwieldy, and confusing leave policy now in use. The reason for the clumsiness of this policy is historical. It was not put together in accordance with scientific recommendations, but through the adoption of numerous resolutions, acts, and amendments, depending on the socio-economic state of the country at the time. When an industry would experience economic torpor, the ministries would rush in to put fingers in dikes, and personnel would end up getting special benefits, including extra leave days. There are now over 60 different conditions under which extra leave days can be awarded. Some eventualities are covered, and others are not. But if you were to ask which and why, the average worker, to say nothing of an expert in the field, would not be able to tell you. For example, when one industry needed additional leave for some construction personnel, they put together two and a half pages of justifications—for a single industry!

Ivchenko: Given this background of confusion, aren't unfairness and abuses a common problem?

Sharikov: Of course! When you fail to have a coherent policy, you have abuses. For example, staff in the lumber industry get more leave than workers. Now we can see why a lumberjack should get additional days. But why a bookkeeper, accountant, or staff lawyer? For every 24 work days that are part of the regular leave quotient, 12 additional days are added—because of longer than average work days. And every third leave, another 24 days are added to the 36 just noted. In addition, the approach toward leave is not consistent from industry to industry. In some cases, the staff at one plant may get two or three times more leave than their counterparts at another, even if their jobs are identical.

What this means is we have to create a coherent leave policy governed by a few clear guidelines rather than dozens of conditions and exceptions.

Ivchenko: What do you think its key elements should be?

Sharikov: There are three key factors that should be used to determine the length of leave: seniority, value of the individual's contribution, and working conditions. Also, total seniority, and not just time at a certain plant, should be used for calculating leave. The reason for this is that a worker has been working for the people and their common goals, regardless of where he has been employed. In my opinion, there should not be any privileged industries: every job is hard in its own way. As things stand now, there are some industries where an individual can never get more than 15 days of leave, regardless of the contribution he makes—even if he is a Hero of Socialist Labor winner. But the worst off industry is machine building, the backbone of technological progress. This is wrong. One of the major flaws in the regulations governing leave is that performance has no bearing on annual leave. We need the economic apparatus to begin working. When it does, enterprises will be in a position to decide who gets leave in accordance with an individual's contribution on the job.

Ivchenko: Suppose they just decide not to give it? With maximum profit so important, every extra leave day off hurts the enterprise giving it. Won't new problems arise because of this?

Sharikov: No. We have only been speaking about bonus leave. Regular leave policy will still be based on an annual minimum of, say, 18 days, which is more than at present, with extra days added for seniority, working conditions, etc. For example, an individual just starting to work would get 18 days of leave per year. After five years (including time spent at college and technical schools) he would get 21 days, and after ten years he would get 24. The scale used for calculating the increases has to be uniform across all jobs and professions.

It will be the job of management alone to use additional leave time as a performance incentive. Management will also probably have to provide additional leave days for individuals working at jobs involving hardship or danger, although a lot of foreign countries deal with this through pay, not leave.

Ivchenko: And just how do other countries handle leave?

Sharikov: Hungary gives 18 days of base leave. The GDR gives 21, Poland gives 17, Rumania gives 15, and Czechoslovakia gives three weeks. But all of them augment this base quota in accordance with total seniority, as well as seniority at a single enterprise. Some of the capitalist countries, such as the US, do not have a national leave policy, and the issue is decided through collective agreements with the companies involved. Some companies offer five to seven weeks of leave. Japan has a very interesting system. Employees start with five days and, after two years on the job, are given one more annual leave day for each subsequent year of service. The limit is 20 days.

Ivchenko: You said the new regulations governing leave would not hurt anyone; that is, no one would lose what they already have. Will that be possible? For example, what will happen with all those long leaves in the lumber industry or at research institutions? Do you plan to leave them the same after you launch the new policy and leave scale?

Sharikov: Well, nowhere near every scientist gets extra leave. Only the ones working at lead research institutes [NII] get that. There are a little over 200 of them on the list. Many of them no longer have the lead institute status, but have kept the perks anyway. We feel there should be no distinction made between "leading" and "non-leading" research institutes, and that extra leave days should be tied to one's job. Senior, lead, and chief scientific associates, as well as directors of institutes, should get 36 days, while junior and other scientific associates should get 24 days. In addition, individuals who end up getting fewer leave days under the new policy will be able to keep their former leave allotment as long as they continue working at the same place.

Ivchenko: How much time will the Goskomtrud need for "test flying" the new regulations? When can we figure they will take effect?

Sharikov: The deadline has not been set, but the draft of the new law will be discussed throughout the year. It is not a simple issue we are dealing with. Every increase in leave time—even by as little as a single day—reduces aggregate time on the job. To compensate this, we have to raise productivity and output. Yet we still have not learned how to produce more in less time. Regardless, we are going to have to solve the problem. We will have to run industry-wide totals to see how the new leave policy will affect production. In some industries, government support will be needed. Last year, 63 million rubles were needed to cover extra leave taken by medical personnel. Around 200 million in government funds will probably be required to cover needs arising in connection with the new policy, while total costs will probably be over one billion rubles.

To summarize, the deadline for inaugurating the new leave policy depends to a great extent on us—on the way we do our job. The higher the productivity, the faster our stores will be filled, and the sooner the new leave policy will take effect.

Ineffective Labor Placement of Adolescents Deplored

18280123 Moscow SEMYA in Russian No 14,
3-9 Apr 89 p 4

[Article by V. Vladimorov: "Once Again Regarding Labor Placement of Adolescents"]

[Text] In June of last year, Goskomtrud [State Committee for Labor and Social Problems] and the USSR State Committee for Education, the Secretariats of the All-Union Lenin Young Communist League and the

AUCCTU Central Trade Unions approved a statute on the procedure and conditions of voluntary labor for students at non-specialized and professional schools in their spare time, away from their studies. We reported this. Some time had elapsed and many letters of complaint from adolescents and their parents had piled up in the editorial office. The meaning of these appeals was plain and simple: to get a job is either difficult or impossible.

The above-mentioned statute was signed by 4 reliable organizations. One would assume that each of them would take on responsibility in part for implementing the statute. But this didn't happen.

The All-Union Lenin Young Communist League: In general, no traces of their work succeeded in leaving a mark...

The Central Committee, All-Union Council of Trade Unions: Semblance of energetic activity. A series of diverse labor headquarters have been created. It's like in wartime. And what are the results? One such headquarters affiliated with Moscow Gorkom [City Committee] of the All-Union Council of Trade Unions assisted 100 adolescents for half a year in finding a job when, at that time, 1,000 were interested.

The USSR State Committee for Education: Here business is progressing badly. A thousand young people are being assisted in locating a job, letters are being written to enterprises, and there is even advertising. It's something to be happy about, but I can just imagine the poor teacher, having received yet another extra non-paying and totally non-teaching load. I realize that educational agencies should not be concerned with this matter.

Finally, Goskomtrud: We won't go into philosophical discussions about whether we need a negotiator for the employer and the worker. Goskomtrud exists. Moreover it, along with other departments, decides where, how, when, how many, and at what age we should work. And if this is the case, then it should take responsibility for its decisions. Alas, Goskomtrud signatures on the statute for labor placement of adolescents exist, but in actuality, it means very little. Meanwhile, it is the only department (of those who signed the document) that is possibly interested in solving the problem economically.

Alas, in this regard, numerous telephone calls from the editorial office didn't yield any results. The thought of replies led to the following: we don't have requests from enterprises for adolescents. Search for work yourselves.

While chatting with one bright official from an above-named department, I asked: "Why can't the centers for labor placement, reeducation and trade union orientation for the population manage their affairs?"

"They cannot manage for many reasons. But the main reason is that khozraschet, to which they have shifted, is inconsistent. The wages of employees, in the end, does not depend on the number of those placed in a job, and this is ridiculous. If one speaks about the AUCCTU, the All-Union Lenin Young Communist League, and the State Committee for Education, their participation in labor placement of young people is a contribution of the past. They not only shouldn't, but cannot be involved in this. The problem should be solved by professionals. This is a very serious and labor-intensive matter. It's necessary to create a good informational base: an information bank of adolescents, wishing to work, and an informational bank of enterprises who want to hire these young people. It is also necessary to study thoroughly the

work of Western enterprises which make use of child labor—for example, the world famous firm, McDonalds."

"That's absolutely correct. All this requires a lot of money, and only genuine khozraschet, without any restrictions, can make it happen. We must be economically profitable, just as it should be profitable for enterprises to take on young people."

How should adolescents be advised? Young people, we need your assistance! We are convinced of this, having called several dozen large and small enterprises. Don't wait for favors from organizations that pester you with paperwork. Search for work yourselves.

ORGANIZATION, PLANNING, MANAGEMENT

Machinebuilding Domestic, CEMA Cooperation Plans Detailed

18230038 Moscow *PLANOVOYE KHOZYAYSTVO*
in Russian No 3, Mar 89 pp 14-22

[Article by G. Stroganov, deputy chairman of USSR Gosplan, doctor of engineering sciences, professor: "Machinebuilding and Coordination of Plans Within the Framework of CEMA"]

[Text] At the end of December 1988, the Politburo of the CPSU Central Committee examined progress in carrying out the program for the priority and accelerated development of the country's machinebuilding complex. The decisive importance of machinebuilding to qualitatively transforming the productive forces, to intensifying the economy, and to speeding up the performance of social tasks was emphasized once again. It was pointed out that no deviation from guaranteeing the priority of development of the machinebuilding complex can be allowed.

Constructive developments in the operation of the machinebuilding complex are obvious in the period 1986-1988. The technical level has been rising consistently. There has been an increase in the output of progressive types of machines and equipment. The branch and interbranch structures have been improving. The time required to develop new equipment and put it into production has been shortened. As a consequence, product renewal rose from 3.1 percent in 1985 to 11.2 percent in 1988. The share of the most important products meeting the world level has quadrupled.

The most important factors in raising the technical level and competitiveness of domestic equipment are now to furnish it with automatic electronic and microprocessor control systems, expanding the amount of refinement done with breadboards and on test stands, consequently increasing the running life, reliability, and durability, productivity, and capacity of machines, equipment, and instruments. Progressive structural materials and a progressive assortment of metal products are being used to a greater extent. An effort has been organized to manufacture equipment with microprocessors, one of the ways being to organize the production of this equipment within the branches of machinebuilding. Broader efforts are being made to use up-to-date computers and progressive technology, including light-guide systems and laser technology, fiber optics, ceramics, and composite and amorphous materials. In 1988, the production of machine tools with numeric programmed control was 1.5-fold greater than in 1985, and the production of processing equipment to meet machinebuilding's own needs was up 2.5-fold.

The institution of state acceptance has had a favorable effect toward improvement of product quality. At many plants, it is responsible for the improved organization and supply of production and tighter technology discipline.

The average annual growth rates of the output of machinebuilding during the current FYP exceed by 1.5-fold the corresponding indicators for the industrial sector. The average for the 3 years has been 5.7 percent, as against 4 percent for the corresponding period of the 11th FYP. Moreover, the entire growth of the volume of output was achieved by raising labor productivity, which in 1988 rose 7.6 percent (against an annual average of 5.1 percent during the last FYP). The assignments of the 5-year plan for the volume of production of nonfood consumer goods was overfulfilled by more than 800 million rubles. Their technical level was raised and their quality improved.

Within the complex, priority has been given to the growth of output of instrumentmaking (1.6-fold) and electrical products (1.3-fold). Twice the capital investments have been committed to the development of these branches and also machine tool building and chemical machinebuilding in the current 5-year planning period as compared to the last one. This will make it possible to substantially increase the production of computers, numeric programmed control systems, equipment for automation of production processes, light-guide cables, laser units, equipment to chemicalize the economy and for the petroleum and gas industry, and so on.

In the years of the 12th FYP so far, 2.5-fold more resources have been invested in development of the scientific experimental facilities of the machinebuilding complex than during the entire 11th FYP. There has also been a growth in the total volume of investments. Over the period 1986-1988, 1.4-fold more capital investments in construction of productive plant were assimilated than over the period 1981-1983. What is more: in 1988, the share of capital investments committed to retooling and reconstruction amounted to 57.8 percent, as against 46.7 percent in 1985. Investments to develop the social sphere of the machinebuilding complex increased 1.3-fold and investments to activate housing increased two-fold.

The transition of the complex's industrial enterprises and scientific organizations to full cost accounting (*khozyaystvennyy raschet*) has created additional opportunities for full-scale implementation of the program to modernize machinebuilding through organic combination of the factors of economic and social activity of work collectives with the advances of scientific-technical progress. At the same time, the adverse aspects in development of the machinebuilding complex have not been fully overcome by any means. The state of fulfillment of the fundamental decisions of the party and government to develop machinebuilding cannot be seen as satisfactory in the years of the 12th FYP so far.

Enterprises are still not fulfilling contractual obligations with respect to the product list for many models of machines and equipment. The capital investments allocated are being underassimilated to a large extent. Deadlines are not being met for activation of production capacities intended for the production of progressive equipment.

It is very disturbing that the R&D spadework is insufficient for future accelerated renewal of products in production. Deliveries of new structural and functional materials necessary to build progressive equipment are not as large as they need to be. Because of unsatisfactory work of USSR Minstankoprom, fixed productive capital in machinebuilding itself is being renewed slowly. Shortcomings in the supply of materials and equipment and in fulfillment of plans are resulting in a growth of above-allocation stocks of supplies. The financial condition of many enterprises and associations in the complex continues to be strained.

The plan for 1989 was drafted on a qualitatively new basis in the context of the effect of the radical economic reform and the USSR Law on the State Enterprise (Association). In preparing it, the attention of USSR Gosplan was concentrated on accomplishment of progressive structural shifts in machinebuilding, on strengthening the social orientation of the plan, and on seeking out new organizational forms for improving the management of the economy. When the plan was being shaped, consideration was also given to the results of an economic analysis of progress in fulfilling plans for previous years and the potential and opportunities related to the radical economic reform that were discovered in that connection.

Pursuant to the decisions of the conference held in the headquarters of the CPSU Central Committee on the problems of machinebuilding's development (July 1988), programs for thorough modernization of the national economic complexes on the basis of 44 priority directions for creation of new generations of equipment have been drafted jointly with consumer branches in order to achieve its structural revamping and to strengthen the impact it has on the economy's efficiency. That was the point of departure in the work done on the 1989 plan. For instance, the state order for delivery of fundamentally new models of equipment and materials was prepared so as to reflect as much as possible assignments along the priority lines. What is more, half of the volume of the complex's scientific-technical output, two-thirds of investments in R&D facilities, and three-fourths of the computers allocated to machinebuilding are to be concentrated along those lines.

One of the priority lines is to develop and organize the production of equipment to intensify extraction of petroleum and gas under the conditions of the Far North and the Caspian Depression, and also to increase the degree of petroleum refining to 80 percent. Broad organizational measures have been envisaged to master and

produce reliable corrosion- and cold-resistant equipment to operate in an environment containing hydrogen sulfide and carbon dioxide to 25 percent (each) of compressor and pump units. Performance of those measures will make it possible to give up the purchasing of this equipment from the capitalist countries.

Enterprises of USSR Mintyazhmash and USSR Minelektrotekhprom will put into production and deliver to consumers powerful arc steel-smelting furnaces, machines for continuous casting of billets, Model 1700 rolling mills, and mills for cold rolling of pipe, etc. This will make it possible to increase the output of steel with improved properties.

The plan includes 11 assignments for the wood-chemical complex to organize production and delivery of equipment to manufacture new and environmentally clean types of highly efficient composite polymer materials, various films, polystyrene, and also equipment for new types of production operations in biotechnology, microbiology, and the production of medicines and medical supplies.

In the shaping of the 1989 plan, particular attention was concentrated on improving the structure and increasing the output of certain types of progressive machinebuilding equipment. For example, with overall rates of output of 113.9 percent and 108.3 percent for USSR Minpribor and USSR Minstankoprom, respectively, the growth rates of this output (under the state order) will be 165.9 percent and 130.5 percent, respectively. This situation was also taken into account concerning other branches.

Measures to reduce the scattering of capital investments were outlined in drafting the plan for capital construction in 1989. For instance, more than 70 percent of the total volume was committed to the program of projects near completion, and only 5 percent went to new construction starts. The plan calls for reducing the above-allocation value of unfinished construction by 1.5 billion rubles. What is more, investment resources have been redistributed within the machinebuilding complex in order to guarantee progressive structural shifts in science and production and the priority development of the branches of instrumentmaking, machine tool building, the electrical equipment industry, and chemical machinebuilding. These branches have been given 42.1 percent of the volume of capital investments for the machinebuilding complex (as against 27.4 percent in 1985).

With the development of the economic mechanism, above all the independence and self-financing of enterprises and organizations, there are broader opportunities (economic barriers are being removed) for radical revamping of the structure of machinebuilding, to get away from the pattern of production designed excessively for large volume of output, to make the transition from the building of large enterprises with a "self-sufficient economy" to the creation of highly efficient,

organizationally and financially strong medium-sized and small enterprises, and ultimately creation of an economically optimized system for management of machinebuilding production.

Future plans call for improving the structure of the machinebuilding complex, first of all by creating state regional and intersector consortiums and associations whose members would include independent single- or multiprofile enterprises (associations), and scientific, design, construction, sales, export-import, installation-supervision, startup, service, accounting, and other organizations (including organizations set up on a cooperative basis). These structures (associations) could be organized on the basis of the sector, regional-sector, regional, and intersector principles regardless of the departmental subordination of the enterprises, organizations, and cooperatives making them up. Creation of a new subbranch—biotechnological machinebuilding—is planned in order to increase the production of medical equipment.

Pursuant to a decision of the Politburo of the CPSU Central Committee (December 1988), in the 1st half of 1989 a program is to be drafted of radical measures guaranteeing priority development of machinebuilding in the 13th FYP and conforming to the new economic and organizational-and-technical principles. They will have to do with renewal of the production potential and scientific-technical potential, the volume of investment, identification of progressive types of manufacturing equipment, computers, and structural materials for production of up-to-date equipment, the construction and reconstruction of machinebuilding enterprises and scientific organizations, and augmenting the scale and improving the quality of research and designs.

In the machinebuilding complex (as indeed in others), work is to continue to separate the functions of central authorities and enterprises, to revise the content of the activity of ministries, to assign functions exclusively in conformity with the USSR Law on the State Enterprise (Association). Priorities must also be pinpointed for the 13th FYP and on that basis proportions determined for development of the various lines of production, above all of the most sophisticated and especially accurate machines, equipment, and instruments. Thanks to improved organization of production and management and widespread application to economic activity of the principles of self-support and self-financing, enterprises in the machinebuilding complex must intensify specialization of production by part and assembly and by process on a large scale. In addition, highly mechanized enterprises have to be created for volume production of standard mechanisms, units, and parts, which would be delivered to assembly plants.

Plans also call for carrying out in the next 5-year planning period an interrelated set of measures to solve the problems of scientific organization of work, production,

and management, to create all the necessary organizational, economic, and social prerequisites for building in every worker high professional attributes and for their manifestation under the real conditions of practical activity to achieve high end results.

A substantial improvement of quality, a rise in the technical level of products produced, and higher operating efficiency of machinebuilders, and broader independence of the primary production unit represent a good prerequisite for improvement of foreign economic relations. In machinebuilding, just as in the other national economic complexes, processes of integration and international division of labor and new forms of cooperation with the socialist countries must undergo further elaboration and development. It has to be said that even at the present time mutual deliveries of the products of machinebuilding among the CEMA countries are sizable and largely determine the effectiveness of the economic development of the national economies. But in their scale and composition, they do not fully correspond to our overall requirements and capabilities.

The socialist countries are the principal consumers of the products of Soviet machinebuilding, they receive about 75 percent of Soviet exports of this group of commodities. At the same time, the fraternal countries have a share of almost 80 percent of Soviet imports of machines and equipment.¹ This equipment has been playing a considerable role in the development of our economy, and that imparts particular importance to the effort to coordinate state plans within the machinebuilding sector between the USSR and the CEMA member countries.

The following deliveries have great importance to the national economy: from Czechoslovakia—machine tool equipment, equipment for processing polymer materials, electric passenger trains, diesel switching locomotives, streetcars, trolleybuses, and units for production of carbamides; from the GDR—machine tools, including automatic machines for heat-setting plastics, equipment for light industry and the food industry, the printing industry, the chemical industry, rolling equipment, rope machines, twisting machines and drawing machines, ships, railroad passenger cars, and electronics; from Poland—ships, railroad freight cars, equipment for light industry and the food industry and for the chemical industry, equipment for production of wood chipboard and wood fiberboard; from Romania—oil field equipment; from Bulgaria—electronic computers, electric and internal-combustion loaders, and electric tractors; from Hungary—medical and painting equipment and instruments. This list could be lengthened considerably both in terms of supplier countries and in terms of machines and equipment to be imported.

But it has to be noted that the level of development of foreign economic relations did not meet the requirements of the time during the years of the stagnation. This has had an adverse effect on shaping an optimum international division of labor among the countries of

the socialist commonwealth, and this is also true in the field of machinebuilding. Due attention was not paid to the problems of specialization and mutual deliveries of new machines and machinery, especially to replace those purchased in the capitalist countries, nor to cooperation along the most promising science-intensive directions. Equipment purchases were in most cases not linked to the question of manufacturing high-quality competitive products. There were oversights and interruptions in acquisition of equipment for the raw materials branches, which became the backbone of the national export capability, with reliance on nonreproducible natural resources. The level of participation of domestic machinebuilding in world economic relations has been low, resulting from many causes lying in the sphere of the internal economic mechanism and the mechanism for foreign economic activity of machinebuilding production itself.

It was deemed advisable at the 19th All-Union CPSU Conference to restructure the system of foreign economic relations even during the present 5-year planning period. To be specific, it was noted that in foreign economic relations "we give priority, as in the past, to relations with the socialist countries. Together with our friends—on a bilateral and multilateral basis, within the framework of the Council for Economic Mutual Assistance—we intend to perform the key tasks of scientific-technical progress and development of up-to-date forms of economic cooperation. We see promise in the transition to the free convertibility of the ruble and in the formation of a unified socialist market."² On behalf of the restructuring of foreign economic relations, a number of decrees have been adopted aimed at qualitative transformation of the present practice of planning, management, and organization of foreign economic relations on the basis of the requirements of the new economic mechanism, expanded independence of work collectives, a stronger impact of factors for increasing the intensification of production, and speeding up scientific-technical progress.

The coordination of national economic plans for the 5-year period remains one of the leading forms of joint activity of the CEMA member countries even under those conditions. This is done both on a bilateral and also multilateral basis within the framework of CEMA, above all with respect to problems whose effective solution requires that several countries or all the fraternal countries combine their efforts.

Pursuant to the Conception of the Socioeconomic Development of the USSR up to the Year 2005, the Strategy for Development of the USSR's Foreign Economic Relations, the Conception for Development of the USSR's Future Foreign Economic Relations With CEMA Member Countries, and other programmatic documents adopted within the framework of the socialist commonwealth, government directives have been prepared and delivered to those responsible for the effort to coordinate state plans with the CEMA member countries over the

period 1991-1995. The main task which has been set in the directives is in the course of coordination of plans to achieve a higher effectiveness of foreign economic relations by improving the structure of exports and imports,³ by elaborating economic relations thanks to the transition to a more progressive model of cooperation, to a different investment policy, and to performance of resource conservation measures.

By contrast with previous years, consultations⁴ with the Soviet side will be conducted at three interrelated levels (both for multilateral and bilateral relations), as follows: by planning commissions, by ministries and departments,⁵ and also by associations and enterprises. The direct producers will be involved in this effort because of adoption in the USSR of the Law on the State Enterprise (Association) and by their having been awarded broad rights in the planning of production, including broad rights in carrying on foreign economic activity based on the principle of self-support with respect to foreign exchange. Enterprises have been granted the right of independent choice of partners for cooperation in production and scientific-technical cooperation, to reconcile mutual deliveries within the framework of direct relations, to take part in the drafting of new branch agreements and the extension of existing ones, to determine the volume of delivery of products for export they produce (except for products under jurisdiction of USSR Gosplan), and independent use of foreign exchange, etc.

In the national economy as a whole, the share of the volume of foreign economic relations that will be defined during coordination of plans at the level of enterprises and branches is estimated at 30-40 percent. Given those conditions, respect for the interests of the state and above all the balance of settlements with individual countries are being guaranteed through reference figures.

In 1988, USSR Gosplan drafted and delivered to USSR ministries and departments and main administrations in production of the respective products reference figures for the holding of consultations that contained the total volume of foreign economic relations and the allowable balance of settlements in value terms with each of the socialist countries for the period 1991-1995. A significant new direction in the activity of USSR Gosplan will be to join with other departments in preparing and clearing with countries on a bilateral basis specific measures to restructure the mechanism for socialist economic integration aimed at step-by-step formation of a unified socialist market. Those measures will be based on proposals now being drafted by the Soviet side concerning the integral conception of restructuring of the mechanism for multilateral cooperation and socialist economic integration.

The reference figures envisage a substantial increase of exports of the products of the machinebuilding complex to the socialist countries over the period 1991-1995 (by

comparison with the period 1986-1990). At the same time, a decision has been made to the effect that ministries and departments are allowed the planned volume of import deliveries into the USSR to be exceeded only when there is a corresponding increase in the volume of export deliveries from the USSR (for each of the fraternal countries). On the basis of the breakdown of the reference figures, ministries and departments assign to subordinate associations, enterprises, and organizations their respective limits as to volume and products list. In order to simplify the effort and eliminate unnecessary adjustments, ministries, departments, associations, enterprises, and organizations make the decisions necessary during consultations independently within the limits of the reference figures and targets assigned them (except for products on the products list of the state order). To that end, USSR Gosplan has prepared and sent to all interested ministries and departments Guidelines on Methods of Conducting Consultations at the Level of the Basic Unit and Branch Ministries.

On the basis of the results of coordination of plans, enterprises and associations independently sign contracts and agreements, and these are fully taken into account by ministries and departments in their summary documents concerning the coordination of plans. In addition, ministries and departments decide questions of branch cooperation, provide enterprises assistance as to methods and organization proceeding on the basis of the strategy for development of the branch's foreign economic relations and the international agreements in effect. USSR Gosplan includes the volume of foreign economic relations coordinated at the branch level in the drafts of intergovernmental agreements.

The following questions are taken up on a priority basis at the level of the basic production unit:

- fulfillment of the assignments of the Comprehensive Plan for Scientific-Technical Progress of CEMA and for putting new products into production that meet the world level;
- the technical level and quality of products involved in mutual deliveries;
- development of collaboration in production on the basis of broad cooperation (as a rule on a basis that is balanced in value);
- retooling and utilization of production capacities in place, including the questions of coordinating capital investments;
- creation of joint enterprises and production operations and international associations and organizations, and also participation in foreign joint stock companies, partnerships, or other forms of investment and commercial activity.

At the level of the head ministries and departments for production of the various products, priority will be given to resolving problems of specialization and industrial cooperation within the branch, coordinating capital

investments, construction, reconstruction, and modernization of projects in the branch, and also raising the technical level and quality of the products involved in mutual deliveries. It is extremely desirable in this connection not to lose any time in adjusting the technical and commercial aspects of mutual deliveries of equipment to the lengthy manufacturing cycle.

Proposals are to be drafted during 1989 on application to production in the period 1991-1995 of the results of major intersector and sector scientific-production development projects done jointly with the socialist countries, above all concerning assignments contained in the Comprehensive Plan for Scientific-Technical Progress of CEMA. Here, it is very important in coordinating plans in the area of scientific-technical progress, along with further realization of measures contained in the Comprehensive Plan for Scientific-Technical Progress of CEMA (and improving their effectiveness), to give maximum consideration to the assignments contained in programs for thorough modernization of national economic complexes, drafted jointly with consumer branches on the basis of the 44 priority lines of development of machinebuilding.

Broader inclusion of the USSR in the international division of labor and the deepening of socialist economic integration make it necessary to reconcile with the planning agencies of fraternal countries long-term conceptions for changing the production structure and specialization of product deliveries, which during consultations will be detailed and carried out by ministries, departments, and enterprises. Drafts of intergovernmental agreements will be worked up by the central planning agencies of the countries.

These fundamental principles will be the points of departure when the upcoming consultations at the ministry level concerning the problems of economic and scientific-technical cooperation between the USSR and the socialist countries take up the question of extending existing agreements and preparing new ones on specialization of production over the period 1991-1995 and longer periods concerning certain problems. Ministries and departments are even now conducting consultations concerning the entire list of products assigned to them as the head entities and are reconciling the size of deliveries in both directions. In doing this, they are defining areas of mutual interest in building plants or joint enterprises (including construction on a multilateral basis), and measures are being prepared for development of scientific-technical cooperation and industrial cooperation along with reconciliation of the size of deliveries of new products and products to be created jointly in order to reduce imports from the capitalist countries.

The following are to be reconciled at the level of central planning agencies of the USSR and the socialist countries:

- economic policy and the basic directions of economic and scientific-technical cooperation over the period 1991-1995, including the questions of further development of visible trade and progressive shifts in the

structure of Soviet exports by increasing the share of machines and equipment in them (taking into account the anticipated results of cooperation in the period 1986-1990);

- major national economic problems to be solved jointly or with the participation of third countries, one means being to coordinate investment policy;
- the products list and the volume of particular interest to the national economy of the USSR and scheduled for imports from the socialist countries in the period 1991-1995 as counterdeliveries for exports from the USSR of energy carriers and certain other types of raw materials and supplies;
- the amount of technical assistance to be rendered by the Soviet Union in construction and reconstruction of projects in the fraternal countries;
- questions concerning construction of projects in the USSR with the participation of the other socialist countries;
- questions of joint efforts to build or expand projects by joint effort beyond 1995 for the purpose of their timely design and in order to conduct the necessary surveying work.

The first consultations on coordination of state plans in the area of machinebuilding over the period 1991-1995, conducted at the level of central planning agencies in the period November 1988-February 1989 (with Czechoslovakia, the GDR, Poland, Cuba, and Vietnam), confirmed the necessity of the individual approach to the methodology of performing this effort with each of the socialist countries so as to take into account the peculiarities of the technical and investment policy of those countries and development of their economic reform.

Pursuant to the decision of policy-making bodies, consultations of planning agencies of the USSR and socialist countries on development of economic and scientific-technical cooperation over the period 1991-1995 are to be completed in the 1st half of 1990, provided before their conclusion intergovernmental agreements can be signed with each of the countries, taking into account the understandings reached at the level of enterprises and management agencies at the branch level.

Footnotes

1. Purchases of equipment abroad now amount to approximately 35-37 percent of our imports. The bulk of the equipment purchased (more than 70 percent) consists of industrial machines and equipment, above all for the mining, metallurgical, chemical, and pulp and paper industries, agriculture, the electric power industry, and transportation (ships, trucks, buses, railroad rolling stock).

2. "Materialy XIX Vsesoyuznoy konferentsii Kommunisticheskoy partii Sovetskogo Soyuza, 28 iyunya-1 iyulya 1988 g." [Materials of the 19th All-Union Conference of the Communist Party of the Soviet Union. Held 28 June-1 July 1988], Moscow, Politizdat, 1988, pp 20-21.

3. Even over the next several years, we will have to sharply alter (improve) the structure of exports and imports. This means giving priority to building the export potential in the distribution of capital investments, physical resources, and credit. As for imports, the balance of equipment over the long run shows that we should consistently reduce imports into our country of agricultural equipment, materials-handling equipment and construction machines, ships, general-purpose machines, devices, and machinery, and oil and gas pipeline equipment. But imports of machines and equipment must exceed imports of raw materials, fuel, and consumer goods. The principal component in them must be one-of-a-kind, high-level science-intensive products, above all to meet the needs of machinebuilding (complexes of flexible automated production operations, robots, precision equipment, machines and technologies for retooling the electrical equipment industry, electronics, machine tool building, and instrumentmaking).

4. This effort will be pursued in order to take into account the specific features of the structures of management and the economic mechanisms adopted both in our country and also in the other socialist countries.

5. Seven ministries and two MGO's, "Energomash" and "Kvantemp," are part of the USSR's machinebuilding complex at the present time. The latter hold consultations independently with interested partners from the socialist countries on a basis that is balanced in value.

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Sumy Machine Building Association Moves to Third Khozraschet Model

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[Article by V. Romanyuk, economic observer of the newspaper IZVESTIYA: "The Third Model"]

[Text] About the new initiative of the Sumy Machine Building Scientific-Production Association imeni M. V. Frunze—the transition to the lease contract—we heard in the summer of 1988. Among the economists the question arose: Why Sumy exactly? With the lease, people ordinarily connect attempts to lead the lagging, as a rule, small enterprise out of breakdown. But here is a giant, which has fixed assets alone amounting to hundreds of millions of rubles. If leaseholders want to purchase them from the state, several generations will not be enough.

Doubts were expressed. They say, the lease of enterprises turning out complex products holds little prospect; it is more suitable where production is simpler. And then: Why should a large association fall out of the system of planned management? When an unprofitable factory is liquidated and transferred to the rank of a cooperative, this is reasonable. But a progressive [enterprise], in which the country has invested enormous funds? . . . In the draft of the decree that was prepared at that time on lease relations in industry it was especially noted that they should be introduced into management practice, proceeding from economic expediency and efficiency; it was recommended to make use of them, above all, in small and medium enterprises, operating unsteadily, low-profit and even generally unprofitable enterprises.

The question of the transfer of the Sumy machine builders to a new *khozraschet* model with elements of lease relations was examined at a session of the Commission for the Improvement of Management, Planning and the Economic Mechanism of the USSR Gosplan. The observations of the Commission had an extremely fundamental character. The working group, in which many central economic departments were represented, not counting the plant economists, was ordered to define more precisely the enumeration of the indicators transmitted to the collective, so as to safeguard the interests of the association and the national economy as a whole; from this point of view, to examine the procedure for the imposition of taxes. A large ship of industry is being put out to sea, and its itinerary should be clearly regulated.

"There has never been anything like it in the national economy," says the chief of the legal department of the USSR Ministry of Chemical and Petroleum Machine Building, V. Potapov (it is precisely to him that the Sumy economists first turned in order to probe the ground from the point of view of the law). "In the beginning it seemed absurd—to lease fixed capital from the state. In our country, the enterprise is not the owner of the fixed and working capital. But the formulation of the question about the realization of the right of ownership of the means of production by those who use them has become quite urgent. Especially as such a right is declared by the Law on the State Enterprise."

In Sumy they raised the question on another plane. Here they consider that a revolutionary shock is necessary to production, that without the constant reanimation of the economy a slump is inevitable. It was this conviction which was the first push. I found the deputy general manager of the association, V. Moskalenko, in the Department for the Improvement of Planning and Economic Stimulation of the USSR Gosplan. In a cramped small room, specialists of the Ministry of Finance, the State Committee for Labor and Social Problems, the AUCCTU, and other departments perfected and polished the final documents. In this crowd, the large figure of the chief Sumy strategist stood out. Together with V.

Moskalenko, all the burdens of the creation of the Sumy variant are shared by his old advisers—the plant economists M. Balan and I. Verbitskiy.

During our first meeting—for Moskalenko, this was either the thirteenth or fourteenth out-of-town assignment Moscow in the last 6 months—he avoided detailed discussion of the future experiment. Nothing had been approved, there were two different variants available. A great deal is still unclear. But I did not resist the question:

"Are you getting in the end what you set out for in the beginning?"

"We wanted to make the transition to the lease contract," Vladimir Petrovich says, "and we will go over to a new *khozraschet* model with elements of lease relations. But this does not mean that the experiment 'has been cut.' The study of the question, its heart simply proved to be different. . . ."

But why nevertheless did the leader of the department inquire about the lease contract? V. Moskalenko protests resolutely. Advanced methods of running the economy, he is convinced, is always uninterrupted movement forward. And it is required today not only of the backward, but, to no smaller degree, of the front runner. For four five-year plans the association worked with great effort. In order to keep at the highest level, to successfully fulfill the orders of fuel and chemical industries for modern equipment, a new quality of work is required.

"In its development," Vladimir Petrovich explains, "we are guided by the principle which someone has nicknamed 'the principle of the bicycle.' As long as you spin, you can go, if you cease to spin, you inevitably fall. We have gone through a solid distance without falling out of step. But now we felt that we cannot maintain the tempo we have taken further without the involvement of progressive methods of management."

"Very likely, you want to protect your economic interests?"

"The lease is also an expression of our economic interests. In the current variant, it already represents a step forward from the second *khozraschet* model. A more profound restructuring has not yet ripened. But, I believe, having accumulated the experience, we will go over to the lease contract."

And nevertheless already now the enterprise receives, as it were, three degrees of freedom. First of all, having concluded a long-term contract with the ministries—to the year 2005—on *khozraschet* relations, it is possible, without obstacle, to study the prospects of the development of production; secondly, to have the right to dispose independently of the economic incentive funds; thirdly, the collective is free in the choice of the forms of wages and the dimensions of bonuses for all categories of

workers. We emphasize: The collective itself now forms these funds and has disposition of them, which previously people did not dream about.

Could the experiment have taken different forms? Probably. Agreements and sight settings—this is like a tug-of-war: Every department strives to observe its interest. In the final analysis, considerations of expediency and the end effect gained the upper hand. Another time the temptation to run forward was great. For example, the question was put about the fact that centralized capital investments should be allotted to the association only on a repayable basis. Moskalenko objected: When credit will become the only form of financing, then, perhaps, you note such a demand. The Ministry of Finance supported this position.

They sharply reduced the number of indicators transmitted through calculation for the Sumy people. Though they say "calculated", the most rigid demand is made for them everywhere. Let us say, for "commodity production." This indicator prompted the greater use of "someone else's labor," to conduct, within the limits of the possible, also a "multiple calculation," which was not at all demanded of the collective living from the income. All of this is discarded here. Also removed from control were the correlations of the growth rates of labor productivity and wages. What remains? The state order and deliveries according to contracts. Well, there is still the foreign exchange gain. Plus the most important products list, which influences the balance of the national economy. We pondered with Moskalenko: Not so little remained. Introduced, incidentally, was control over the correlation of the growth rates of khozraschet income and the unified wage fund.

"Moskalenko tried to attain exclusions from the account data of volume indicators," says A. Sukhanov, a deputy department chief of the USSR Gosplan. "He tried to achieve what is correct in general." The main thing is the satisfaction of the demand of the national economy. We put down a compromise variant, in which only control figures for the most important products list (as in the state order) are left. The association may not agree with them, but it is useful for it to know the real demands of national economy in order to orient itself on them. The debates, of course, were serious. The essence of the contradiction lies in the fact that now the association is not obligated to extract "a commodity," but the ministry, as before, is responsible for the fulfillment of the tasks established by this indicator.

Many are interested in whether there will be an increase or a decrease in the payment to the budget with the transition of the Sumy Association to lease relations. A. Sukhanov told me that, during the perfection of this part of the experiment, one of the executives of the Ministry of Chemical and Petroleum Machine Building called him and began to lecture: If the lease contract does not give the enterprise a real increase in the economic

incentive funds, why then this whole business to begin with? "And I tell him: Why should the interests of the state suffer from the fact that your enterprise has expanded rights?"

The key question—about the size of the fund for the development of production—was solved at the very last moment. Of course, a great deal depended on this—both the state of the fixed production capital and the well-being of the collective. After long discussions, the following variant is adopted: To summarily determine the production development fund during the conclusion of an economic agreement between the Ministry of Chemical and Petroleum Machine Building and the Sumy Machine Building Association. Say what you like, but the lease is still also a market. Thus, let the ministry and its association themselves agree on the conditions of the lease. Evidently, even in this most important question they coped without a directive from above. The only condition in so doing is that the share of this fund in the khozraschet income must not be lower than that which was envisioned in the five-year plan.

For the time being, the Sumy association will be the only enterprise in the country to whom control figures will not be transmitted, but only communicated. Instead of a material incentive fund, a single wage fund is introduced, from which—both wages and bonuses.

In principle, Moskalenko wanted more—to destroy all obstacles between the economic incentive funds, to discard all norms. But, having listened to the arguments of the specialists and scientists, in which, nevertheless, disturbing doubts and fears predominated, Moskalenko himself for the time being refused such a threatening revolutionary gesture. You see, even without this, many restrictions on wages were removed. At the insistence of the USSR State Committee for Labor and Social Problems, only wage rates and salaries were left. The USSR Gosplan was ready to repudiate them as well. A. Sukhanov said the following about this: "All the same, in a collective of several thousand it is necessary to use wage rates. It is necessary for people to feel: If they wish, they may ignore even the wage rate scale."

"The principle of the lease consists in the fact," A. Shatilov, the deputy chief of the planning and economics administration of the Ministry of the Chemical and Petroleum Machine Building, explains, "that the khozraschet income is spent by the collective in accordance with its own discretion. In principle it has the right to direct it into a single wage fund and not to be concerned with production development."

"But according to the contract which we are signing with the association," A. Rutskey, the first deputy minister of chemical and petroleum machine building, emphasizes, "the collective is obligated to maintain the equipment in the proper order, to renew the equipment, to satisfy fully the demands of the national economy for the necessary products. If these contract requirements will not be

fulfilled, we have the right to cancel it with the corresponding compensation for damage. True, the Ministry of Chemical and Petroleum Machine Building also bears responsibility for its actions. In the contract—incidentally, the first in our economic practice—it is written directly: 'The Ministry indemnifies the association for losses inflicted in connection with the payment of penalties for breaking the production delivery deadlines because of the lack of limits and funds for resources being centrally distributed.'"

The very fact that the staff of the industry, which was originally inclined only to commands, will now answer with the ruble for the legitimate character of its actions, is an enormous step forward. Instead of command-administrative principles, the interrelations along the vertical will now be built on partnership principles. And if, let us suppose, the plant ruins the deliveries by fault of the ministry, it [the ministry] will pay the fines. In so doing, it is true, a delicate question arises: With whose money will the ministry settle its accounts? It does not have any income of its own, and thus it will pay from those sums that it will receive, including from the Sumy association, in the form of rent.

"What will happen if the millions that you will receive from the enterprise in the centralized funds will not be sufficient for the payment of the penalties?" I ask A. Rutskiy

"But we do not intend to trip up the enterprise. On the contrary, we intend to extend to it various sorts of services and to obtain, on the basis of commercial relations, additional deductions into the centralized funds."

You see, there is a completely different style, a different psychology of interrelations along the vertical. As a matter of fact, this very vertical, as it were, now is passing over into a "horizontal." The real mutual responsibility of the sides is an extremely important aspect of the contract. Previously, the ministry did not bear responsibility in any situation for the losses of its enterprises—they were the ones who disentangled the mess, no matter who was responsible for it. There also did not exist a juridical basis for material sanctions with respect to the workers of the apparatus. Now it is possible to claim them concretely with respect to this or that ministerial official for the damage inflicted by his actions, let us say on the scale of the monthly wage.

Why nevertheless not the full lease? A. Sukhanov explains it as follows: In a capitalist country, the lease signifies purely commercial relations. This is how our cooperative system operates. Simply put, the lease presupposes both the extension of assistance to the enterprise and control over its activity. And in the opinion of Moskalenko, the lease ought to create conditions close to a cooperative. If ownership is in the hands of the state, then the social protection of people is preserved. But the management is fully in the hands of the collective: The

state order is nothing more than a recommendation; wage rates and salaries are established independently; the possibilities of price formation are extensive. Up to now, such a degree of freedom has not happened. Why, even theoretically, the question has been inadequately studied. Not everything is clear even to V. Moskalenko, a doctor of economics by the way. However that may be, the level of risk should be reduced to the minimum—both for the state and for the collective.

But nevertheless, a fundamental step forward has been taken in the development of the economic reform. The duration of the agreement (15 years) allows the collective to calmly study the prospect of development. In essence, this is a guarantee that the money earned by the collective will not be spent, but will go for its further development. Why the contract precisely with the headquarters of the industry? Because, as long as the branch principle of the management of the economy is preserved, the ministry continues to be responsible for the satisfaction of the concrete requirements of the national economy.

The contract has a number of special features that do not exist in the Law on the State Enterprise. The rent is a fixed magnitude, it prompts the introduction of new capacities in the term. Also examined was the question that part of them—the part which will be introduced only at the expense of their own means—be excluded from the rent. At one of the sessions of the commission, Moskalenko himself rejected such "indulgence": The association commits itself to introduce rent for all assets, irrespective of at whose expense they are created. Thus, the myth about the advantages which the deputy general manager drums up for the collective is actually a myth. Still another argument remains with the opponents. It is proposed that, from the start of the 13th Five-Year Plan, the entire sum of amortization deductions will be left to the association—the dream of any manager. This money is not a gift: The collective takes upon itself not only the technical reequipment and reconstruction of production, but also the expansion of the existing shops and the construction of new ones.

We shall remind the reader: When in 1985 the Sumy residents were the first ones in the industry to go over to self-financing, they proposed the following procedure for the distribution of the profit: 30 percent—to the state; 70 percent—to the collective. But in so doing, they completely gave up centralized capital investments, which at that time amounted to up to 300 million rubles a year. Those who reproached them on the grounds that they live too carefree a life (and there are enough of them even now) did not take into account these very 300 million. But self-financing precisely proposes the giving up of centralized financial injections.

What is the situation now? In 1988 the Sumy association transferred to the centralized funds of the ministries 7.5 percent of the profit and more than half of the amortization funds. This is about 8 million rubles a year. The rent and the tax on khozraschet income in all come to

about the same magnitude. But the conditions of the calculations are changing fundamentally. The rent cannot be reduced if new assets are not introduced by the planned deadline or the income proved to be less than what was expected. In this lie the guarantees to the ministry—it will receive its share. It can also join in with the introduction of effective developments at the enterprise and have a share from the effect obtained.

We leaf through the text of the contract of the USSR Ministry of Chemical and Petroleum Machine Building and the Sumy Machine Building Association. The first obligates itself to provide the enterprise with centrally distributed materials, raw material and equipment, to finance new construction, to assist in technical reequipment and the training of personnel, and to make available scientific-technical information about progressive technologies and new equipment. And here is the essence of the obligations of the association: To maintain the fixed capital leased and the standardized working capital at the required level, to guarantee their renewal, development and repair, to allot the agreed-on means for these purposes, and to deposit the rent to the ministry in the fixed sums. The association contributes to the state budget (including the local state budget) the tax on the unified wage fund. The conditions of the contract can be more precisely defined with a change in the prices for products or resources that are established in a centralized manner, a change in the system of taxation or the cost of the fixed production capital being leased.

Interesting is the part concerning the conditions for the compensation of mutual losses. We have already mentioned the fact that the ministry pays to the enterprise the fines, more correctly, compensates the losses that occur due to its fault. Other cases are also envisaged, where the Ministry of Chemical and Petroleum Machine Building bears material responsibility for the nonfulfillment of its obligations with respect to the Sumy people. Well, and the association pays a fine for late rent payments. Possible disputes are resolved through Gosarbitrazh [State Board of Arbitration].

The following aspect also characterizes the novelty of the interrelations. By agreement with the labor collective, the administration can turn over to the ministry part of the funds from the wage fund above the established maximum dimensions for the encouragement of workers of the central administration, who have especially distinguished themselves, for the fulfillment of individual tasks and services. The association receives broad rights in the use of buildings and installations, means of transportation, inventory, raw material, etc. It has the right to turn them over, at no cost, for the temporary use to anyone on loan, to sell, exchange, or lease them. It can even write them off on the balance sheet, if the assets are depreciated or have become obsolete.

In fierce arguments, a new system of taxation was born. In the beginning it was proposed to impose a 20-percent tax on the funds directed into production development

and social needs, and a 40-percent tax on the unified wage fund. In the AUCCTU they objected: The social orientation of the plan must be encouraged by the reduction of the tax on that type of expenditures. The following proposal was also introduced: To free the production development fund completely from taxation, and to impose a tax at the ratio of 5:1 on the unified wage fund and the fund for socio-cultural measures.

They turned to the experience of the countries of socialism. The model being used in Czechoslovakia was shown to be attractive. Here the growth of wages up to 2 percent is not taxed at all, but after the 3rd percent a rather high tax is collected. Alluringly, at first glance, but under this the growth of the volumes of production and the satisfaction of the requirements of the national economy are poorly stimulated. They studied the experience of the introduction of contract responsibility in China. A. Sukhanov, in my presence, leafed through a document translated from the Chinese and commented on it as follows: We are going in one channel. In their country, too, the enterprise under the lease remains in the system of state ownership, accountable to the local and central organs, it is controlled by them."

There was still another variant: To impose a tax only on the unified wage fund—in the final analysis, it also passed. The idea is the following: The collective has the right to utilize the khozraschet income at its discretion. But it cannot be allowed that everything ends up in the wage fund. Thus, regulators are needed that would check this tendency. If you increase the wage, pay more into the budget!

All of these reflections were not without foundation. It is no secret that with the transition of industry to self-financing an extraordinary growth of wages is noted. Defects in the fulfillment of some plan indicators intensified. With the generally modest growth of production (data for 9 months of 1988), suddenly a sharp overfulfillment of the tasks with respect to profit—by 8.7 percent! What is this, payment for the transition of enterprises to self-financing? To some degree, yes. The transfer of a significant part of the enterprises to the new conditions of management (especially to the second khozraschet model, based on the normative distribution of income) induces collectives to increase volumes, to reduce expenditures, and, in the final analysis, to attain an increase in the total mass of profit. Another alarming signal—the rapid growth of wages. The payments from the material incentive fund increased by 15 percent in industry, by 30 percent in construction. The massive transition of enterprises to the new wage conditions also became one of the factors. In the preceding 2 years, the funds accumulated, and now, in proportion to the establishment of the new wage rates and salaries, they began to flow over into the wage fund. However that may be, at present a situation has developed in which wages, in terms of growth rates, began to appreciably outstrip labor productivity.

With regard to all this, a discussion was also held with respect to the imposition of taxes on the enterprise in the conditions of lease relations. In the final analysis, a flexible variant was found under which the collective has the right to decide itself to whom and how much to pay above the wage and salary scale. And the tax? It will be imposed only on the unified wage fund. During the first year of the experiment, the sum of the tax was determined at the scale of 40 percent of the unified wage fund, in the second year—at the scale of 52 percent. Well, and if more money went for wages, than is envisaged by the share of the unified fund in the accounting income? Then the tax rate increases threefold. And these sums are removed from funds that are directed toward social development. More cannot be obtained from anywhere! Those that go for production development are inviolable. Thus, if the collective is paid an additional 1 million rubles, 1.2 million rubles will have to be paid into budget in the form of a tax. The fund of socio-cultural measures, with such an operation, will "grow thinner" by 2.2 million rubles (both times it is necessary to draw from it).

Does the collective want additions to wages at the expense of its social causes? It is difficult to say. But what is to be done—to freeze wages? No, it can grow, but only together with the accounting income. But this is possible only on condition of the steady growth of production, the conservation of resources, and the introduction of new equipment and technology. Alas, the prescriptions from many illnesses are one and the same.

Some words about the details connected with the distribution of income, as this is conceived in the Sumy Machine Building Association. Its *khozaschet* income is the remainder of the income of the enterprise after the deduction of the rent for the fixed capital and the tax into the state budget (including the local budget) on the unified wage fund. It is envisaged that the growth rate of the unified wage fund should not exceed the growth rate of *khozaschet* income. Not subject to tax are the funds that have been received into the unified wage fund of the scientific production association from other enterprises, and from the ministry's reserve of for the material incentive fund. On the basis of the existing wage and salary scales, the association independently determines the forms, systems, and dimensions of the wages of workers, including all types of bonuses, without limitations, envisaged by the existing legislation. The association can also sell shares to its workers. In order to deepen *khozaschet* relations, the administration of the association concludes contracts for a lease or collective contract with shops, and the administration of the shops—with sectors and brigades.

Such is the logic of the development of the experiment. Now we will have to go deep without fail and to create contract brigades at the level of plants, sectors, and brigades. The new quality consists in the fact that the worker to a greater degree becomes the owner of the machine tools and machines which he operates. And the

system of indicators must strengthen this connection in every conceivable way and to create a more effective form of income distribution.

When V. Moskalenko for the first time called the legal department of the ministry to test the ground, there were more questions than answers. And the volume of work, which was done by the lead group during a number of months, could serve as a report of an entire institute for a number of years. The degree of the study of the experiment should also have been deep because of the fact that we were talking about the leader of an entire industry serving the fuel and energy complex of the country.

The lease contract for the time being is still the tomorrow of large industry. The transition to lease relations is not connected with the change of the forms of ownership. But the very logic of the reform also confronts the managers with such a question. What to do, for example, with unprofitable enterprises? The Law on the State Enterprise envisages the possibility of their disbandment and the termination of their activity. But for a long time, no one took such a step. Finally, in October 1988, the USSR Council of Ministers Bureau for Machine Building decided to apply sanctions to 13 unprofitable enterprises, having in mind their reorganization and closing. This unexpectedly stirred the collectives in their search for a way out of the blind alley. The collectives of the State Ball-Bearing Plant No 20 in Kursk, the Leningrad Reduktor, and the Kishinev Experimental Foundry Plant declared their intention to take their enterprises on lease, i. e., to follow the path of the Sumy machine builders.

It is simpler with small enterprises. Here the way out lies in the creation of a cooperative, which must, however, be preceded by the liquidation of the enterprise. But this, for the time being, is connected with a multitude of agreements. But this is not the only point. The weak methodological study of this type of activity discredits the idea of cooperatives. The colossal growth of wages with the transfer of the shop or factory to a cooperative—these are not fantasies. But in and of itself, this phenomenon is optionally connected with the increase of labor efficiency. The tax conditions are not equal: The state sewing factory deducts up to 85 percent of its income into the state budget, and its homely competitor—the cooperative—3-5 percent. In Narofominsk, near Moscow, there is a plant for electric insulation materials. On the basis of the unprofitable shop, they created a cooperative here. During the conclusion of the agreement on the lease, the management demanded rent in the amount of 200,000 rubles a year. The cooperators, having pondered all the possibilities, decided to pay 2 million. The cooperative is flourishing, the wages have reached 500 rubles here, while in the plant itself—only 260. The people with the state enterprise are straining to get into the cooperative. And the secret here is the same—in the system of tax imposition. Of course, after its transfer to the cooperative, they established order in

the shop, they tightened discipline. But, you see, even the interrelations with the budget are completely different ones here. And labor is paid more fairly. And this, in turn, helps to include the very "human factor" on which our hope in restructuring is based.

The necessity of a cardinal restructuring of the wage system in the national economy is realized today not only by scientists and managers, but also by workers who have mastered the ABC of *khozraschet* and self-financing. This is what V. Lunev, a brigade leader at the Moscow Kompressor Plant, said at the 11th Session of the USSR Supreme Soviet (October 1988):

"The presently effective wage scales and rates for every work place do not take into account to the necessary degree either the labor intensiveness of the operation or the quality of its execution. Under the existing, insufficiently studied system of estimates of labor intensiveness, it is possible to receive equal pay for unequal work. Thus, without special efforts, a worker, who makes simple parts on an ordinary machine, can receive as much as a professional at a machine tool with numerical program control. Control over wages in the form as they now usually understand it, perhaps, looks respectable on paper; in practice, however, this is 'clipping' of the wage, leading to levelling, to the guarantee of high-quality labor. In contemporary production, the 'labor intensiveness norms' are nothing else than correct economic and scientific calculations, which it is impossible to disturb without having disturbed the rhythm of production itself. . . . The Moscow worker works according to some norms, the Leningrad worker—according to others, and the Kiev worker—according to still others. Today, all this has come into contradiction with *khozraschet*. . . . What is needed is a precise system of wage rates, which would reflect both labor intensiveness and the quality of our labor. The State Committee for Labor and Social Problems already for a long time has been trying to solve these questions, but, comrades, how many of them can be solved?"

The wage system, irrespective of whether it is just or not, affects the interests of all. For this reason, the problem cannot be solved only on paper—an experiment is needed. The Sumy variant, in this sense, signifies a fundamental step forward. I asked V. Moskalenko, when will it be possible to come to Sumy and see the new principles of lease relations in operation at a low level? A man extremely energetic in situations where it is necessary to confirm in life a new idea or decision, here, in the introductory stage, he manifests circumspection, even caution:

"Come in half a year, not sooner. All the work lies ahead. The main thing, there is full clarity in which direction we will move in the next 2 years."

Will it be easier for those who will go the way of the Sumy association? Moskalenko shakes his head: They have sent away agreements to set sights. A great deal in

the very ideology of the experiment was made, as it were, from a blank page. The Gosplan commission, which met three times, and every time with a new membership, passed one resolution: "Revise!" For a long time, V. Moskalenko lamented, there was no one to make a final decision. In Gosplan they did a poor job proving themselves to be correct: At first the material was too raw. But even now they acknowledge that endless, another time fruitless, discussions were held about some propositions. Apropos of this, I can say only one thing: In our country, the work on generalization, systematization, accumulation of management experience, and the perfection of the creation of a system of economic standards is obviously poorly supplied.

In the capital Manometr Association, they are conducting a search for their path to the lease contract. Here *khozraschet* is directly tied up with the contract method of labor organization. The labor of every worker is paid only in accordance with the final product that is passed by *Gospriyemka* [State Acceptance]. All intermediate payments have been abolished. What does this produce? Manpower resources are better utilized, since there has been an increase in the mutual responsibility of people who engaged in one business. Depending on the fulfillment of contract organizations, the wage fund increases or decreases. The proportion of products turned out in the first 10 days of the month is specially taken into account, as well as the level of the economy of material resources.

Before me is an agreement on the contract responsibility of the 16th assembling shop and the administration of the plant. In it it is written that the collective itself determines the numerical composition and the procedure for the distribution of the collective earnings. Economists, designers, and industrial engineers previously received wages depending on their coming to work and general results, now—concretely according to their contribution.

Yes, specialists have firm salaries, but every time they have to be confirmed and earned. The salary being received is not guaranteed—this is the whole thing, and the personal contribution is correlated with the results of the work of the shop. Conditions have been stipulated in which the wage fund is increased or decreased. Let us say, the 100 percent fulfillment of contracts in terms of the results for the quarter produces an increase, in the material incentive fund, of 10,000 rubles, and in case of their infringement, 5,000 rubles are paid for every percent of non-fulfillment. If the collective produces 28 percent of the monthly plan volume during the first ten days, it receives a 3,000 ruble addition to the incentive funds, and if it produces below this mark—the fund is reduced by 150 rubles for every percent. For the shop collective this is appreciable.

The first month of work of the 16th shop in the new way produced unpredicted results. A few more *Sapfir-22* instruments were produced than had been expected, the

terms for the manufacture of some other instruments proved to be disrupted. On the whole, there was an improvement in the rhythm, economy of component products was obtained, and above-norm stocks were reduced. As a result, 80,000 rubles in means for the payment of wages were earned. Still in the shop remained finished, but undispatched products for 13,000 rubles (in wage calculation). How to distribute the earnings? There were various variants: To advance money to those who did not turn in products to the warehouse; to pay by direct procedure—on the basis of add-on; one can take an advance.

The first variant did not suit those who had the right to a high wage, the second—those who worked well, but were not able to turn the products in to the warehouse, moreover not due to their own fault. The collective chose a third variant—it took an advance. As a result, it turned out to be indebted to the plant for 9,000 rubles. True, even this advance was not sufficient to pay the two brigades their wages. They got out of the situation having somewhat reduced the bonus fund for some other brigades. At a session of the STK [not further identified] the sources for the return of the advance taken were examined: Through the more precise fulfillment of contracts, the stabilization of the rhythm, and the economy of component parts. You see, having become the masters of their own wages, people started to take into account every kopeck.

We talked more than once about these problems with the deputy general manager of the Manometr Association for economics, G. Deshalyt. Why enterprises operating in the new conditions do not produce "an explosive effect," why, simultaneously with economic methods, the administrative club must also be used? Grigoriy Lvovich thinks that a great deal depends here on the level of the development of khozraschet relations. Unfortunately, the enterprise has too many tutors, demanding from it the achievements of various goals, frequently pointing in different directions. For example, the ministry requires the fulfillment of plan, above all, cost indicators, Gossnab—the satisfaction of the national economy in pieces (often irrespective of the technical level), the Ministry of Finance—the volume of profit also irrespective of the technical level of production, the local organs—the fulfillment of the plan for commodity production and contracts for their delivery. And as a result, the deficit of many articles is not only not being reduced, but is even growing. The tasks for the renewal of the products being turned out artificially enter into contradiction with the task for the growth of profit, which is precisely the basis on which self-financing is built.

We will single out what interests us especially—the wage fund. In the very typical variant being examined by us, it actually does not depend on the technical level of the production being turned out, on price discounts and increments, and on other results of management. The

same Manometr collective, in order to obtain an additional 1 percent increase in the wage fund, has to increase the production volume in normative net production by 4.3 percent. Incommensurate! There are situations where the volumes, but the wage fund even decreases.

"I think with fear about the fact that we will have to transfer the basic shops to the contract," says G. Deshalyt. "There is no doubt that we will increase efficiency and obtain additional profit. But with wages there may be a failure."

But to blaze the first trail to the lease contract fell not to Manometr, but to the Sumy Machine Building Association. And our last questions [were put] to the deputy general manager of the association, V. Moskalenko.

"The final goal of the experiment that has been begun?"

"The increase of production efficiency."

"And, perhaps, khozraschet income?"

"In principle, this is one and the same. In our association, the average wage is approximately 300 rubles, 20 percent higher than the average for the industry. In spite of the fact that per 1 percent of labor productivity increase wages can grow by 0.5 percent according to the norm, but actually is growing by 0.45 percent. In the future, too, we do not intend to depart from this correlation."

"The Sumy Association was the pioneer of the first khozraschet model. Now, when already the second model has been widely approved, the third model with elements of lease relations is coming into being in Sumy. Following Sumy, the Volgograd Neftemash [Petroleum Machine Building], the Petrozavodsk Bumash [Paper-Making], and the Kiev Bolshevik [plants] are preparing to follow this path. This only in chemical machine building. The instrument-makers and metal-makers, not to speak of the construction industry, where following the Butovskiy Combine they are entering into new economic relations with the headquarters of the industry, and other collectives have their interests and hopes."

"And you do not plan to leave the state sector?" I put a question worrying me in conclusion to Vladimir Petrovich.

"This is not the main thing," Moskalenko answers with disappointment. "The ministry does not prevent us from working. But only now we will build relations with it on the basis of the principles of mutual economic responsibility. Which was not the case up to now. We will return rent to it, here is our sacred duty. Well, and if the ministry is at fault—we will impose a fine. Only thus."

On an unexpected plane, the jurists raised the question: Who will enter into lease relations with whom? You see, in the Law on the State Enterprise (Article 4) it is written

that the labor collective has the right to the use, possession and disposition of the property that is turned over to it. Consequently, it enters into lease relations... with itself. Let us put it this way: This curious aspect is easily surmountable. The law only declared the rights of the enterprise, but the lease contract secures their realization in practice.

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Structural Policy in Machinebuilding

Koshkin Article on FMS's

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[Article by L. Koshkin, General Director of the Rotor MNTK [Interindustry Scientific and Technical Complex] and academician: "Which Priorities We Choose"]

[Text] It is now more than 20 years that domestic machinebuilding, when choosing the main directions for developing equipment, has given preference now to robots, now to machining centers, now to flexible automated production (GAP). Each of these undoubtedly will enable some rather serious problems to be solved: to take people off industrial operations that involve harmful working conditions, to save production space, or to automate departments or even whole plants (as in Japan, say). Nevertheless, in my opinion, these priorities are, on the whole, false and do not promise the country anything but large losses. Why? Let us try to break it down, starting with certain general considerations.

In taking a gamble on robots or GAP's, the machinebuilders are ignoring the main goal of scientific and technical progress—an increase in the social productivity of labor. Any fundamental solution should turn on growth of output per ruble of total costs, and this task must not be replaced by other aims.

The all-encompassing plan for creating automated production facilities that USSR GKNT [State Committee for Science and Technology] promised to release 600,000 people in due time. It would cost 35 billion rubles. That is, GAP's release of one person would cost just a bit less than 60,000 rubles—it would be 20-fold more costly than under today's means of automation. One may confidently conclude that such a project is economically unacceptable. Even USSR Academy of Sciences Corresponding Member P. Belyanin, a proponent of flexible production facilities, expressed the thought that it is unthinkable to obtain from GAP a benefit that would justify the cost.

The principal fallaciousness of the adopted direction of developing technology lies in the fact that it continues to orient us to a class of machines whose potential has been exhausted. Only industrial machinery that possesses new characteristics—productivity that is high and identical

for all operations, a large share of tooling, automated serving of it during the work process, and simultaneous machining of a large mix of parts on one line—can provide for a high level of social productivity of labor.

Such are the general considerations in regard to choice of the basic directions for developing technology. Now let us dwell in a bit more detail on the particular, with a view to clarifying the basis for the conclusions drawn above.

The Ruinous 'Iron Men'

I do not recall another proposal that would meet the same unreserved and universal support as did the idea of replacing people with robots in production. Robotics departments have been established in many educational institutions, and special lecture courses have been conducted. Capacity for manufacturing robots and for actively importing them have been allocated within the industry. We have all heard in the past decade such ecstatic slogans as: "...robots will pave the way for 'unmanned' plants..." "...robots can cope with the overwhelming majority of work in animal husbandry..." and "...the 'iron men' can work for three shifts and be indifferent to working conditions..."

When the matter was brought to actual introduction of the "iron men," there was a rude awakening. It turned out that, when loading poorly productive machinery, the robot did not justify itself economically and, as for highly productive machinery, it "did not keep up." By virtue of its constructional characteristics (the presence of cantilever-type lever elements), it is slow-running and requires an 8-fold to 10-fold reduction in productivity of, let us say, a press. That is, plants have practically abandoned robots without output.

Enterprises began a search for a way out of the dead end. In some plants, instead of one press without robots, they began to install several robotized ones. In other cases, the robots were used as the simplest of equipment feeds, and people became reconciled to the drop in productivity. Some sent theirs to training workshops and to warehouses. Attempts were made to use robots for painting parts with brushes or sprayers, although it would have been cheaper and more productive to do this in electrostatic chambers or to immerse the blanks in a bath.

And so they strove to put the best face on a losing game, speaking simultaneously about the strange "unwillingness to give the robot a free hand" and to find suitable work for it. But indeed it was simply impossible to find.

The robots' lack of promise as a means for automating the feeding of machinery with workpieces was occasioned not by any individual deficiencies or temporary organizational difficulties. The essence of it was the fact that they tried to use them to serve equipment in which the workpieces were stopped for machining. Here, the

economic effectiveness depends directly upon the number of parts fed per unit of time. The clumsiness of robots makes pointless all talk about their capability to pay for themselves. And no kind of modernization will change it. This is just as obvious as the fact that the improvement of freight cars does not make up for the defects of the freight in them.

And now about the so-called technological robots, which are continuous-action machines, one of the links in the production chain. Their dissimilarity to ordinary equipment is that the working implement has a greater number of degrees of freedom.

However, in practice, in machining part surfaces, straight-line motions are used as a rule on the three axes of the coordinates and, much more rarely, rotary movements about an axis. The necessity for complicated movements during which robots will prove themselves arises extremely rarely. And yet their working implements are not capable of absorbing and delivering substantial force. All this makes them absolutely noncompetitive in comparison with automated machinery.

For example, replacing a traditional press with a KD212Ye.01 RTU [robot-equipped complex] at a cold sheet-metal stamping section led to a 9-fold reduction in equipment productivity and it increased its costs 4.7-fold. At the hot-stamping section of the Zhdanov Heavy Machinebuilding Plant, two Tsiklon-3B model robots right away reduced labor productivity, after which one of them was turned off and the other was kept pro forma. At the Tashkent Tractor Plant, an industrial module made up from two presses and a robot lengthened the operating cycle 10-fold. There is an abundance of such examples.

Contrary to the Needs of the Economy

Still greater false contentment (in comparison with robots) comes from the creation of flexible automated production facilities. Figures were already cited above that showed they will produce for us—but at a price. The idea of creating plants at which the main industrial and the transport functions are carried out automatically and are reset by the press of a button is, of course, alluring. Is it really desirable to do this?

It is possible to reset quickly....Is there a great need for this? In large-scale machinebuilding production facilities the equipment produces one and the same part for a long time. The need for the reset of machine tools occurs once in two or three years. For the sake of this, is it necessary to support special reorganizing systems? It is wasteful, in my opinion.

The uniting of machines with different productivities into one chain necessitates a mass of incidental arrangements—reference points, distributors, and storages. This also affects the economic side of the matter adversely.

Orientation to machining centers as the equipment of the future also is completely unjustified. The concept itself upon which it is based contradicts economic requirements. It is hardly necessary to prove that it is desirable to bore a large hole with a large spindle and a small hole with a small spindle. This is achieved with differentiation of the production process, with the execution of each operation in a separate position. At machining centers all operations are performed by one and the same working implement—a most expensive one. Correspondingly, these centers are extraordinarily expensive and do not pay for themselves. For example, a machining center for body parts (the 22912N7F4) cost 15.6-fold as much as a horizontal-boring machine that performs the same operation, and it is 2.9-fold as heavy.

One must not bet on them also for another reason. Machining centers call for executing a number of operations in one position. Where is this possible? Only for certain kinematically similar operations—drilling, boring, thread-cutting and milling. Their share in total labor consumption is insignificant in machinebuilding. This is apparent even from the share of borers in machinebuilding departments—5-7 percent. Consequently, even full replacement of the existing pool of such equipment by machining centers will not affect the state of machinebuilding very much.

Is There Not Enough Chasing After What Is in Fashion?

In discussing the prospects for developing domestic equipment, one must not forget that the conditions for the existence of enterprises have changed radically. They have converted from dependence to independence, and they have to get the money themselves, without counting on the budget. So now a plant must not be forced to get GAP's, robots or machining centers, and there are few who do so out of their own desire. So it is that it is time to take a more sober attitude toward priorities induced by foreign fashions.

By the way, according to press reports, even abroad this equipment is used more because of prestige or advertising than economic considerations. Certainly there has been enough unthinking chasing after changing fashions, and it is time to ponder what we need for accelerating the country's economic development. And what is needed, it would seem, is equipment capable of repeatedly raising labor's social productivity. That is, machines that basically have other characteristics are necessary:

- those with productivity that is high, economically necessary, and identical in all operations, which will enable them to join automated lines and which do not contain nonproductive elements;
- those with a high share of tooling in the machine and, consequently, a minimal cost per unit of productivity;

- those that are capable of serving and even replacing the tooling without stopping work (this will enable the main cause of idle time to be eliminated); and
- those that can machine simultaneously the most diverse workpieces, supporting a full load of the equipment even for small-series production.

Automated rotary-conveyor machines possess all these characteristics. In principle they are suitable for any occasions in production life. But the main thing is that rotary equipment is more advantageous for industrial processes in which the tooling acts on the whole surface of the workpiece. Such processes predominate in a multitude of production facilities in which millions of people are employed. According to our calculations, the wide use of rotary and rotary-conveyor machines in them would enable 10-12 million workers to be freed. The aim, you will agree, is meritorious.

In order to do this, 4,000-5,000 types and size of operating machines must be developed. If 40,000-50,000 designers are allocated (and this is an insignificant portion of the country's existing design personnel), then in 10 years they would solve this problem.

In such production work as forging and casting and the manufacture of ceramics and brick, and in the food industry, rotary equipment can and must be used right now. Take, for example, the production of brick. About half a million people are employed in it today, and the country's need for this output is being satisfied by about half. Well what then—bring worker manning up to a million?

Of course not. The industry must be provided with modern equipment and technology. Several thousand scientists in the RSFSR Ministry of Construction Materials Industry are the only ones who are trying to solve this problem, but brick is still being made as before, and as was done a hundred years ago. Meanwhile, it is our deep conviction that it is within the capabilities of 200-300 developers to design the appropriate rotary machinery and solve the problem in one stroke.

Our engineering efforts must be aimed in the urgent areas of the scientific and technical process where a breakthrough can be made to a qualitatively new level of equipment development. And in this matter preference should be given to rotary lines.

IMEMO Officials' Response

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[Article by S. Yelekoyev, sector manager of the Institute for World Economics and International Relations (IMEMO), academician of the USSR Academy of Sciences and candidate of economic sciences, and A. Elyanov, sector manager of IMEMO AN SSSR, doctor of economic sciences and professor: "Do Not Create 'Idols'"]

[Text] In today's hot scientific disputes, first one side and then the other often rushes to an extreme and tries to

claim a monopoly on possession of the truth. They seek a most powerful and solitary lever that would help to turn the world upside down. This is very evident in the example of the discussion about machinebuilding's prospects for development, where a gamble is made on robots, then on machining centers, and then on flexible systems. And nowadays, similarly, a new "idol" appears—rotary conveyor lines. In any case, their creator, L. Koshkin, denies the right of existence to all other means of automation and calls for everything except rotors to be swept aside. But why should everything be thrown away?

Rotary and rotary-conveyor lines undoubtedly are a progressive type of equipment. And they should take their place in our industry. But their place is precisely where their use is most desirable economically—in large-series and mass production. That is, it is a matter of 30 percent of the output produced by the USSR's economy. And in machinebuilding, one-fifth of its output. As you see, it is a considerable amount.

However, unification is not always favorable by far. Excessive uniformity and rigid regulation of designs and parameters impede the process of creating new output and do not allow for consideration of the individual demands of specific customers. Even in the production of consumer goods, world trends toward a reduction in sizes of the series produced have set social limits on the use of rigid production flow lines, including rotary lines. One will hardly find many who want to go about in identical shoes and clothing, to have completely identical watches, refrigerators and motor vehicles. Obviously, it is not accidental that the pool of rotary and rotary-conveyor lines has increased in the U.S. just from 4,000 to 8,000 units in 25 years (from 1958 to 1983). Ours grew in 15 years (1971-1985) from 5,000 to 20,000.

Foreign experience has a certain relationship to human values, and we are simply obliged to study and copy everything that is positive and can be used in the interests of our country. Thus, let us scrutinize this experience.

In the last decade American machinebuilding companies have invested in electronic-computer technology, and automated programable equipment and communications systems comprise about half of the expenditures on the automation of production and control (about 9 billion dollars annually). The second half of the investment went to the traditional means of automation and mechanization, primarily to "fixed," including flow, rotary and rotary-conveyor lines.

The mastery of programable means of automation in the leading capitalist countries is proceeding nonuniformly, in stages, but each stage is marked by a comprehensive approach to solving the problems that arise. Simultaneously, with the improvement of production equipment, cooperating industries quickly master production of the necessary electronic systems for control and the

software for them, sensors, and tools and tooling. A new organization of production is developed, and people are trained ahead of time. The state extends powerful support to this area of scientific and technical progress by various privileges and subsidies.

Rapid expansion of the scale of use of the various types of new technology is commenced only when it has reached a definite degree of completion of development, of "maturity." Thus, the Americans required more than 20 years for their pool of NC machine tools to reach 60,000 by 1978, and today their number is on the order of 200,000 and it continues to grow steadily by 12,000-15,000 machine tools per year. The share of NC machine tools in total purchases of metalworking equipment by Japanese machinebuilding firms rose on the average from 12 percent in 1980-1981 to 33 percent in 1985-1987. In Great Britain, the number of machine tools, all told, more than doubled in the 5 past years (from 26,000 to 55,000), with an overall reduction in the amount of metalworking equipment.

The picture is similar with industrial robots. Today the U.S.'s pool is assessed at 30,000 units and it is increasing by 8,000 to 10,000 annually. In Japan, which is leading the world in the field of robotics, has been installing about 15,000 robots annually since the start of the 1980's. It is expected that in coming years demand will grow actively for assembly robots and robotics complexes.

As for large systems for comprehensive production automation that allows unmanned departments and plants to be created, these clearly still have not reached a mature stage. Even full scale GPS's [flexible production systems] (one of the chief components of integrated production systems), which incorporate no fewer than 4 machine tools and all the necessary peripherals, numbered 66 in the U.S., 102 in Japan and 50 in the FRG in 1986.

At present only the largest corporations are capable of mastering them: 65 percent of all expenditures for these purposes in the U.S. were made by 2 percent of the total number of industrial companies. More than half of the firms which had GPS's installed still do not profit from their use. However, in so doing, no one is calling for a stop to the multibillion expenditures on developing flexible automation. The mastery of any new equipment can be unprofitable at first. And it is being mastered without excessive haste but intensively and purposefully.

Western experience also testifies that flexible automation is effective only when the equipment is reliable. Is this not one of the causes of unprofitability of many types of domestic equipment? What kind of recoupment can be relevant if service life before breakdown of our NC systems averages 150 hours, while foreign equipment lasts 10,000? The stability of domestic tooling is

6-fold to 7-fold less than what is required and what has already been achieved in world practice, and the workload of expensive automated equipment has not reached even 50 percent.

No less important are the overall high sophistication of production and the availability of well trained personnel. Japanese machinebuilding companies do not try to automate production when the level of defects is not reduced to 1-1.5 percent, in the electronics industry to hundredths of a percent. Savings in training personnel inevitably leads later to much greater losses. It is no wonder that the best Western firms hire people and begin to train them a year before the startup of automated production facilities that are under construction. We have nothing like it.

Moreover, in the developed capitalist countries, flexible automated systems are, as a rule, delivered to the customer completely outfitted and mandatorily in a "package," with services for installation and setting up of the system, after-the-fact servicing, and training of personnel. In the U.S. a fifth of a company's total costs for automation go to paying for service.

Where the enumerated conditions are observed, robots, NC machine tools and machining centers pay for themselves in 2-3 years, and flexible production systems in 5-7 years. So it is that one must speak not so much about the technology as such as about the conditions of its exploitation and about effectiveness criteria.

We are completely in accord with Academician L. Koshkin about the fact that the pursuit of grandiose scales of introduction of flexible automated resources in the USSR's industry that is now being implemented by USSR Gosplan and the ministries is a true path to ruin. But the reason for this is not the imaginary defects of electronic equipment and technology but the imposition of it from the top, without a consideration of the prime operating costs and the expenditures for operation, not to speak about the readiness of the enterprises for this complicated technology. Innovation is being handed out on the principle of "each sister must have her earrings," and often out of prestige or publicity considerations.

Such measures, in our view, cannot help but discredit the idea itself of computerizing our economy and saturating it with electronic devices, equipment and systems as the prerequisites of every sort required for it are created. Incidentally, even the inordinately great weight of machining centers, which increases the consumption of materials and the prime production costs for their manufacture, like defects in robot designs, is to a great extent the result of planning by directive and using the expense method of price-setting. The payoff for a mechanism that stifles natural economic processes is a serious brake on technical progress.

In conclusion, we want to emphasize that in the world the computerization process and electronic-computer technology are invading the life of the industrially developed countries with staggering rapidity, penetrating literally the whole sphere of work and everyday life. A slowdown, and even more so, a suspension of work on the creation and mastery of the means for flexible automation and the technology of integrated production facilities can relegate our country to the outer periphery of world scientific and technical progress.

Customer Requirements for Machine-Building Products Studied

18230037 Moscow MASHINOSTROITEL in Russian
No 1, Jan 89 pp 3-5

[Article under "Steps of Perestroyka" rubric by S.V. Moskvina, candidate of economic sciences: "Customer Requirements for Technical Level of Machines"]

[Text] The first article of the USSR Law on State Enterprises (Associations) proclaims the following: "Customer requirements are obligatory for an enterprise, and their complete and on-time satisfaction constitute the highest meaning and norm for the activity of every labor collective." This pertains fully to machine-building enterprises: customer requirements regarding the quality of the machines being produced are obligatory. Improving product quality reflects the objective processes which are taking place in our country—the rise in the level of developing production forces and stepping up the influence of intensive factors of economic growth. The level of product quality depends, to a large extent, on how rigorous the requirements presented by customers for equipment are.

One of the most important problems for further accelerating technical progress is increasing the reliability and service life of machines. In this connection, particular requirements are presented on the reliability of equipment operating under the extreme conditions of non-stop production lines (chemical, petroleum, metallurgical). Other types of machinery require the maintenance of their operational capacity under the most intense time segments, determined by the deadlines by which the work must be completed. Therefore, by way of example, for combines, tractors, seeders, mowers, and petroleum-industrial equipment the reliability indicator is of decisive importance—the amount of work which can be done until breakdown; the optimal magnitude of this should be at least the average time needed to conduct the principal kinds of operations.

An inherent trait of present-day scientific and technical progress is an enhancement of the role played by skilled labor in working with machines; this is realizable with the help of automating the operational processes. This requirement is being fulfilled by utilizing automatic control, regulating and registering the machinery's operational parameters, automatic signaling, protection, and

interlocking, as well as automatic control. High requirements are made on automating machines which operate under the conditions of non-stop technological processes (equipment for the gas, petroleum-refining, and chemical industries, and metallurgy). Automation allows us to create the conditions for the machinery to operate in their optimal (most economical) cycles. Automation and reliability of machines are interrelated: the more reliable machines have more possibilities for automation (although they do not always need it), whereas automating machines increasing their reliability and reduces the expenditures on repairs.

An obligatory requirement for any machine is constant improvement of the items manufactured on it or the technological operations performed on it. For example, metal-cutting machine tools must constantly increase the precision and cleanness of processing parts. Customers for compressors and pumps set forth requirements for the cleanness of air, gas, and water (such requirements are particularly rigorous in the food, medicinal, and chemical industries, as well as in precision machine building). In agricultural production high standards are presented on the quality of cultivating and harvesting basic crops. Therefore, important characteristics of the technical level of combines and other harvesting machines comprise the reduction of damage to and losses of grain, for seeders this means precision of seeding [sowing], for fertilizer-spreaders and irrigation machines—an even application of fertilizers or irrigation of the fields. Fulfilling these requirements influences, to a significant degree, an increase in labor productivity, reduction of losses, ensuring that products are safeguarded, and achieving high end results for the national economic.

An important trend in improving machinery is combining the performance of several engineering operations in one unit. This requirement is achieved by creating combination-type machines and by increasing the degree of their universality. For example, an up-to-date tractor unit with a certain set of equipment can simultaneously perform plowing, harrowing, cultivating, applying fertilizers, and planting seeds. A number of agricultural machines can carry out the following operations in one pass: harvesting and cutting off the tops of root-type vegetables, removing clumps of dirt and stones, as well as grading the vegetables by size. Tomato-picking combines sort out the red and green tomatoes, potato-picking combines dig up, grade, and load potatoes into machines. Together with this, requirements are set forth for the development of narrowly specialized machines to perform, depending upon specific conditions, certain engineering operations or work (for example, we need highly productive, specialized, metal-cutting machine tools, machines for the differentiated picking of grain crops, etc.).

Under the conditions of reducing the number of workers employed on the production line and the increase in their skills and productivity, it has become a characteristic

feature to provide for comfort, safety, simplicity, and operational convenience in machines. This requirement is achieved by means of utilizing various automatic means of control, running, and regulation the processes involved, employing attachments and instruments which facilitate the working conditions of the operators, ensure a normal air temperature, noise and vibration levels in the work place. Reducing noise and vibration increases the precision and reliability of machines and instruments, improves the working conditions of employees, preserves and extends their capacity for work.

The above-mentioned requirements are common for many types of machinery and basically reflect the trends of scientific and technical progress. Individual or specific requirements are predetermined by production-engineering, natural-climatic, historical, political, and other conditions and characteristics which are inherent to a certain sector of the national economy (or industry), region, or zone of the country, group of machines, or individual type of equipment. For example, the requirements on the use of an operator's work place in certain machines will vary depending upon the zones of the country involved. Thus, machines to be used in sub-tropical or desert-type regions must possess an increased sealed quality, have high-quality heat- and moisture-resistant rubber, an air conditioner or be delivered without a cab. In the regions of Siberia, as well as the Soviet Far East and Far North high requirements are presented for the heat insulation of equipment to be used, ensuring the trouble-free starting of machine engines at low temperatures. Specific requirements allow us to regulate a definite range of speeds, coloring, sizes of wheels and tires, outfitting complete sets of items with various items depending upon the regions where they are to be used, sectors to which the machines will be applied, etc. The specific requirements for tractors, for example, are also caused by the need to work various types of soils—ranging from swampy to sandy. Therefore, provisions have been made to produce swamp-mobile, cotton-picking, and other modifications of tractors, for example, "steeply inclined" ones.

From the viewpoint of the possibility and feasibility of satisfaction, requirements may be subdivided into obligatory and non-obligatory (desirable) ones. Requirements of the first group, as a rule, are regulated by international, state, and sectorial standards, and are dictated either by safety conditions or the need to reflect the achievements of scientific and technical progress, as well as environmental protection. The other group reflects additional, often sporadic, and subjective requirements, linked to the particular demands of a specific contingent of customers. These must also be taken into account and satisfied as much as possible, after conducting an analysis from the viewpoint of their scale and economic feasibility. Therefore, with respect to the degree of their economic feasibility, customers' requirements may be subdivided into effective and non-effective in carrying out machine building by their enterprises.

Obligatory requirements, which are regulated by the appropriate normative documents, must be satisfied,

regardless the degree of their effectiveness. Their fulfillment is of great socioeconomic importance and facilitates a considerable reduction of losses from defects, fines, claims, idle times, and the exclusion of unfinished machinery. In order to establish the feasibility of fulfilling these requirements, we must conduct a comparison between the additional outlays for implementing the necessary organizational and technical measures and those losses and additional expenditures which the customer would bear in providing these requirements and finishing the structural components of the equipment during the period of its use.

When determining the feasibility of fulfilling the non-obligatory (desirable) specific requirements, we must likewise thoroughly analyze the possible expenditures connected with carrying out the measures involved, and, furthermore, establish the degree of dissemination of this or that requirement, i.e., its scope. It is obviously unfeasible to satisfy isolated requirements, those which are rarely encountered in the country or a region, those which are unimportant and have poor prospects for the future.

Customer requirements must be thoroughly analyzed from the viewpoint of their technical practicability and feasibility. Such an analysis is conducted by the leading specialists of scientific-research and engineering-design organizations, based on summarized materials concerning the demands which customers put forth for machines. As a result of this analysis and culling out the feasible and genuinely practicable requirements, we must prepare measures for raising the technical level of machines, measures which will be reflected in the plans of the experimental-design projects of scientific-production and production associations, enterprises, and organizations, measures which are being implemented in new and modernized machines. In case it is technically unfeasible to carry out these or other requirements by their own efforts, the organization concerned may prepare a proposal with regard to purchasing licenses or equipment and complete sets of items abroad.

A number of requirements are of predominant importance for domestic consumption, for export, or for both cases. As a rule, the world market presents higher requirements than the domestic market. However, that which at the present time is a norm for foreign customers sometimes becomes a future requirement for domestic customers. Therefore, taking these requirements into account in planning-and-design developments used in manufacturing machines is an unchanging condition for creating high-quality and competitive equipment. Such a division of requirements is extremely relative, since they are identical and are important for foreign as well as domestic customers. If the customer requirements cannot be satisfied on the present-day production base but have good future prospects and their implementation would allow us to achieve a significant economic effect, then proposals are prepared for developing their productive capacities.

Thus, we can propose a model classification of customer requirements which reflects the above-listed criteria. Taking the latter into account will allow us to approach

the problems of ensuring a high technical level for machines and to do this in a differentiated, well-planned, and feasible manner.

Customer Requirements for Machines

General	Specific
Foreign market	Domestic market
Effective	Non-effective
Obligatory	Non-obligatory
Mass consumption	Single customer
Feasible	Unfeasible
Future	Current
Practicable	Non-practicable

The customer requirements enumerated above, after careful study, are taken into account when working out new structural components for machines. However, their effective implementation has been held back up to now by an uncoordinated, non-comprehensive approach to the formulation of the requirements. As a result, the mechanization of individual technological processes has been provided for sets of machines at various technical levels; this does not allow us to fully implement the potential possibilities of each specific machine and the entire complex of machinery as a whole. This is confirmed by the non-effective use of many types of progressive equipment. Therefore, in order to achieve the maximum effectiveness, we need to work out standardized requirements for the quality of a whole complex of machinery, designed to mechanize the production of certain types of products, taking into account the specific conditions of their use. Moreover, in order to intensify the comprehensiveness of development, it is necessary, when creating technologies with good prospects, that we take more fully into consideration the results of forecasting optimal machine parameters. This will allow us to more closely coordinate the customer requirements for machine quality with the production-technology possibilities of the machine-building enterprises.

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Kabaidze on Management, Bureaucracy, Perestroyka

18230043 Moscow KHOZYAYSTVO I PRAVO in Russian No 1, Jan 89 pp 3-11

[Interview with Vladimir Pavlovich Kabaidze, general director of the Ivanovskiy Machine Building Association imeni 50th Anniversary of the USSR, by V. Ryasnoy, KHOZYAYSTVO I PRAVO correspondent: "Overcoming"; date and place not given]

[Text] The name of Vladimir Pavlovich Kabaidze, general director of the Ivanovskiy Machine Building Association imeni 50th Anniversary USSR, is widely known. He is

known as a reliable partner in the business circles of many countries. In our country he is known as a new type of director, a pioneer, putting at the basis of his activity initiative, economic accountability and independence.

The innovative, without exaggeration, revolutionary ideas on reorganizing the economic mechanism and management principles under the conditions of restructuring that he expressed from the platform of the 19th All-Union CPSU Conference, found a warm response from the delegates and from a huge number of citizens.

The path of his work has by no means been strewn with roses, and let us not forget that the style of his work was formed in years of stagnation and contradiction by the many canons and regulations of that time. Today, however, he must surmount difficulties and misunderstanding and opposition. This is the fate of pioneers. Kabaidze has no regrets, he acts and works.

V. Ryasnoy, correspondent of the journal, met with V. Kabaidze and asked him to answer a number of questions which are of interest to our readers.

[Ryasnoy] To use military terminology, the collective of the association and you, as its director, are on the main line of a break-through. You can see, perhaps more clearly than most of the economic directors, the goals of an offensive, the work and the perspectives. How would you characterize the state of restructuring today?

[Kabaidze] Right now it is clear—the main directions for the development of the economic system and the entire future are linked with the growth of economic independence for production, based on economic accountability and cost recovery. Read our newspapers, listen to the radio—it seems that everything is in order. In reality, however? In reality a paradoxical situation has formed. The directors of the enterprises and the work collectives, all the time, according to an idea, having only dreamed of this very independence, are in no hurry to make use of it in reality. Not because someone forbids it; on the contrary, they are being urged on to it at the very top, but they simply either do not want it, or do not know how to do it.

The ministries, as the headquarters of the sector, are causing this situation. The real power, which is contained in the principle "I will give to whoever I want," is still in their hands.

I will give a specific example. The other day, our deputy minister phoned me and asked me to help the director of a certain plant. I will not give the family name, the point lies not in specific persons, but in the phenomenon, which they expressed.

The help lay in giving, in the words of the deputy minister, a million rubles. I said: I must think about it. Let the director himself phone. He did phone. Moreover, the conversation began quite positively. He immediately asked:

"Did the deputy minister phone you?"

The gamble is on the fact that the "kind uncle" solves all problems with a guiding phone call.

The conversation turned out like this. It appeared that the plant fellows needed not one million, but three. Could I provide them? I could. But I must know precisely where they were going, when this debt will be repaid to me and whether my millions would not just vanish in general. It goes without saying, I should also have my own profit, in any case at least as much as if this money had been placed in the bank at interest.

My collocutor was not ready for this turn in the conversation, he had already counted a great deal on the director's phone call and on the already seasoned stereotype of dependence, in accordance with which we always helped the poor fellow, and did not let him be done for.

[Ryasnoy] After all, though, let us say, the Law on the State Enterprise even specified this sort of measure: cessation of activity as the consequence of bankruptcy. What sort of dependence is this—full economic responsibility?

[Kabaidze] It does not matter what the theory specifies, it is the practice.... I do not personally know of a single case of cessation of activity as the result of bankruptcy, even for the worst plant owner.

Once again I will give an example from my own practical experience. A letter came to me. A resident of Murmansk wrote me approximately the following: I heard your speech at the Party conference, and I liked it, but recently I read in our oblast newspaper the speech of the general director of one of the Murmansk associations and it raised doubts in me. This newspaper is enclosed. In it is written in black and white that Kabaidze is in many ways incorrect. A strong enterprise absolutely must help, you read: drag along one that is always weak. That is how it is, neither more nor less. Of course, things go more easily with a hand held out, whoever gives it. But more than that? Farther on—is a blind alley.

Take this absorbing fact. Approximately 70 enterprises (this figure has now grown) were granted the right to go out independently on the foreign market. After all, it is a truism that under the conditions of a lack of internal competition this is the most effective path, on the one hand permitting a sharp rise in the quality of one's product, and on the other—piling up one's own reserve of currency and updating production. There are other pluses, as well, but hardly any minuses. Do many enjoy this right fully? You can count just a few. The overwhelming majority have voluntarily (I emphasize—voluntarily) turned over their rights to the USSR Ministry of Foreign Economic Affairs. What kind of responsibility is that! Here is fear of making a decision and putting one's trust in "uncle." It turns out that a blind man is leading a lame one.

[Ryasnoy] That is easy for you to say. Your association is strong. You put out a special product, and it is in tremendous demand. Probably both USSR Gosnab and USSR Gosplan, not to mention the ministry, help you, or rather, consider your needs and satisfy them fully.

[Kabaidze] That is an old song, and, moreover, false from beginning to end. How many times have I had occasion to hear that life for Kabaidze is paradise, and everyone, including the USSR Council of Ministers, think only of how to make life easier for him. In general, fate holds good cards for Kabaidze. They let him operate outside the rules.

There is no such authorization. Without prior arrangement, in the face of all obstacles, we have taken on the right and responsibility of working in a new way, based on full economic independence. Moreover, remember when this began. We all realized what we had to prove: it is not turning out badly. Still, we were in the position of a pioneer, when the first mistake would prove to be the last. In general, we had no right to make a mistake.

Now, a more detailed account of the sorcery. Here they say that Kabaidze has no problems in completing equipment. This is really true. Neither Gosplan nor Gosnab has anything to do with this, however. They have never given anything to me and never will.

The purchaser supplies all of us. Sometimes, at the same time, it is very difficult for him to do this, and he literally takes something from himself.

[Ryasnoy] Evidently this is done not only out of personal respect for Kabaidze....

[Kabaidze] Personal contacts with directors in business practice play by no means the smallest role. The main thing, of course, is something else. We take on the solutions to difficult problems, which others will not even touch.

Here the ZIL Association undertook to convert their motor vehicles for diesel engines. This is the main direction in truck building. The point is not only that ZIL fulfilled the government assignment, life itself required that. What sort of dieselization was it, though? An approach, new in principle, to reorganizing and restructuring the entire machine park on the basis of today's approaches. Not a single ministry undertook the solution to this problem in periods suitable for ZIL at a fixed, high level. The periods designated would for ZIL have been equivalent to the failure of the entire technical policy.

We took on the matter. Moreover, without any dictate or pressure from above. We presented our own conditions, however, for supply, at the precise period and in the necessary assortment, with materials and completing equipment. ZIL took from itself and acted in our behalf

in many ways. We fulfilled this order, with colossal difficulty, however, precisely on time, observing all the requirements of the ZIL people.

Consequently, if you prove that you take something on and can do it, you will have everything. This is the basis of normal economic activity, in which there is no need to depend on assistance, on blessings from above, on Gosplan itself. The purchaser trusts us and we justify that trust.

[Ryasnoy] Hence the decisive role of a legal document, such as a contract.

[Kabaidze] A contract is a contract. Nothing can be done without determining the legal procedure for the rights and obligations of the parties. The basis of everything, however, is still mutual interest, mutual benefit, and by no means sanctions to violate the obligations. In normal business relations, sanctions should not generally be used. It is absurd when, for example, some trade enterprises live very peacefully off the fines exacted from the suppliers for short supply. The shelves are empty, there is nothing to trade, and they flourish.

Work on the horizontal, by-passing all the administrative authorities, directly with the purchaser, both by concluding contracts for the supply of goods and determining the sources and forms of supply—that is our basic principle. We are firmly convinced that with a socialist system of economic operations, it is possible and necessary to work with both long-term and short-term relations only on the horizontal.

Our ministry has put us on a long leash. During the war there were fighter planes that flew at their own free will. We have this principle. This right must be earned, however.

In the last 12 years the association created 35 models of machine-tool building centers, flexible production facilities, and not one of them was created by an order from above. All the ideas and decisions were accepted here on the basis of the urgent needs of our purchasers, and this means—industry. We receive any order on competitive principles. I consider this normal. We must prove our independence in deed and prove it specifically for the buyer, and not for the powers that be.

You can work, satisfy the needs of the buyer—do you prosper, no—you go broke. It is simple and clear, and there is no need here to try to hang any labels on it, such attempts were made earlier, and nothing comes of them even now.

[Ryasnoy] In the course of the conversation, you in one way or another touched upon the topical subject of bureaucracy. Already some people, including you yourself, have had occasion to endure quite a lot because of

the bureaucratic style of managing the economy, directly due to officials of the most varied ranks. It is clear that it is precisely the bureaucrat of today that is the main enemy of restructuring.

[Kabaidze] Of course, and the manager has to collide with the directing bureaucrat in the ministry. Quite a few managing directors have been broken by a certain paragraph in some instructions. Many cases are known when, because of such a paragraph, applied, let us say, by a bureaucrat in a procurator's or judge's uniform, honest, innovative enterprise directors or kolkhoz chairmen have ended up in the dock. All the same, one has to treat the image of the enemy of restructuring carefully. This image takes on a sort of abstract nature with us. Of course, a bureaucrat, even in the director's chair, is a terrifying phenomenon, but in the end, it is not so difficult, if it were desired, to shake him out of this chair, and perhaps, the chair along with him. There is something else much more complicated: a bureaucrat lives in each of us. Chekhov spoke of the need to squeeze the slave out of ourselves by the drop. Right now, it is the bureaucrat that must be squeezed from us, and not by the drop. This process is dragging out for too long.

To be specific. Here in our machine-tool-instrument industry, and indeed, not only in it, an idiotic, incomprehensible procedure has formed for designing and introducing new items. There are rules to the game, sanctified by GOST, and various instructions and proposals. We have to manufacture a new machine tool. There are initial data, approved by the purchaser. That would seem to be all. Far from it. Two to three years are needed to collect the signatures from every conceivable and inconceivable authority. Then the planning is in progress. GOST and the existing standard specified that we manufacture a test or experimental model. Two to three years are also spent on all this. Then a commission is created to accept this model. After that, the process is again written down and signatures are collected. Only then is the right to experimental production granted.

To whom is this procedure advantageous? Well, clearly, to the one who puts down his signature, mimicking business activity at various administrative levels. We had, for example, a main administration, which also mainly signed things. This authority was eliminated—and nothing happened, the sky did not fall, and it was easier for us to breathe and work.

Other people need this procedure, however. In 1971, when setting about producing a program-controlled boring machine, 2611, we decided to break with the established procedure and start up immediately, without preparation, series production of 15 machine tools.

Who, apparently, should be happiest at that? The designer. But here Bromberg, the head designer, came to me in the evening and began to prove that it was totally impossible to do this.

I said that I had seen the drawings, studied them, the machine was good and must be made as quickly as possible. He is afraid: suddenly something is not right. He states that each head designer, including him, has a sacred right to a mistake.

This is the fear and striving to insure oneself against a mistake that leads to collecting signatures, for which one can, in case of one, sit it out. After all, it is completely impossible for us to find the guilty party. It works out well for each one of us somewhere.

So it was that Bromberg in this case, through habit, inertia and fear, let stand his right to take on the decision for the ridiculous bureaucratic system.

It was arranged that I would answer for everyone. We produced the 15 machine tools. Then came a new procedure, which surprised no one. No one noticed the repeal of the agreements at the plant, but everyone perceived the time gain. This was the first and last time that the designer was afraid.

After all, everyone retains this accursed, sacred right of decades to a mistake, and he works accordingly. It is the usual system. This is the motto we thought up: experience will correct it. It should not be this way. This is slackness, playing it safe, spinelessness and irresponsibility. One must always and everywhere work without this right, without looking back at a mistake.

People should be confident of this, and this confidence must be increased, instilled at each work place. There should be the right to a risk, but not to a mistake.

[Ryasnoy] The right to a risk—that, of course, is good. The risk, however, should be justified, or else, after all, we are familiar with a phenomenon such as adventurism. We have endured that in full measure, as well.

[Kabaidze] I have in mind the ability to make a decision on the basis of a precise evaluation of the situation, with the decision being professionally correct. This can be called the competence of the director or the specialist. It would appear that without this quality there is and cannot be a director. If you like, it is a question of professional suitability to a certain sphere of activity.

Here is a typical situation. Since the beginning of the 1970's, it has become obvious to each normal specialist that further production development is related to broad and ever-increasing use of electronics, and this is applicable to production administration as well. Through the foreign trade Stankoimport firm we purchased three machining centers, and moreover, for some reason we thought it possible to acquire them only from different firms. Two were quickly set going and are now in operation. It was more complicated with the third one, manufactured by an American firm. Their specialists struggled with it, and brought some spare parts by air from the United States, but to little avail.

What can be done? I phoned Stankoimport and told them about it. They told me: return this equipment to the Americans, draw up a statement that it is not suitable—everything will be in order. I asked, will they return the money? It is quite a lot of money, approximately 350,000 dollars.

They answered: they will return it. To whom? It is clear—to them. Just what am I to do? "Order a new center," they said, "we will draw up a contract, and in a year or a year-and-a-half you will receive it."

We, by all accounts, need this center not tomorrow or the next day, or moreover in a year, but today. In consideration of its potentials, a portfolio of orders had been made up. I had to decide: I signed the statement of acceptance from the computer firm for the complete set and refusal of claims. I decided to make do with our forces. I gathered a group of electronic engineers and proposed doing what we wanted, and putting the center into operation. The deadline was two months.

Yura Kovalev, leader of the group, objected: "If the Americans could do nothing, how can we?" I had to explain that the Americans could permit themselves the luxury of not putting the machine in order, but we—could not. We had simply no other way out.

This can be evaluated as adventurism. The decision was made, however, on the basis of a precise, skilled evaluation of the situation. I evaluated our electronics workers and their creative potentials correctly. They altered the cards and squeezed in a few of our Russian elements. They even found a way to squeeze in the diagnostics, which the Americans had not incorporated.

True, it was not fitted in by the deadline, but they did it in three months. The center is still operating excellently today. So the risk that we took, calculating its potentials, was justified.

[Ryasnoy] Directors and production leaders are coming to you from all over the world to study your experience. Does this yield a positive result?

[Kabaidze] Many of them are coming, even too many. It turns out to be something like an exhibition, but it is so far not much use.

[Ryasnoy] Why is that?

[Kabaidze] Most often they begin to compare the nature of the production. Kabaidze, they say, produces machining centers, and this is a specific product. But it must be understood: it is not the product that is the point, but the approach, the organizational principles. You can produce both macaroni and space ships using the same principles.

[Ryasnoy] Does this mean that sluggishness and routine are oppressive.... There is no sense of anything new?

[Kabaizde] Well, we must not criticize everything unconditionally. It must be borne in mind that so far no one has ever studied only the experience of others. We must consider that for decades we have been weaning people away from independence, economic accountability, risk and responsibility, of course.

Now, and I am making a comparison with the 1970's, when we started, the atmosphere is different. You dare, you create, you experiment. We, the directors, are being oriented toward this. Now and then, however, the old way peeks out. Even today there are really few examples of, let us say, the secretary of the obkom beginning to watch over the director very closely, but then he does not need such watching over, he himself knows what is best. Now it is good to philosophize, for us to put the main difficulties behind. It is easy to give advice here. But to carry it out is a more complex task. The best experience is to do battle.

We were the first to jump out of the trenches and someone has to be the first to go into battle. It is not easy for those following us, however. Each one has his own difficulty.

Another thing is clear. We have now created a tremendous potential. Here are resources and the organizational, scientific potential. A hold-up for some is the psychology adopted—the old habits are in the way. If we put the human factor into operation and make it work fully for restructuring, it is then that things will start moving. There is simply no other way out, there is nothing to choose from.

We have no alternative to restructuring.

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Georgian Machine Building To Get Priority Development

18130056 Tbilisi KOMUNISTI in Georgian
26 Jan 89 p 1

[Editorial: "The Foundation of a Rising Economy"]

[Text] As is well known, all enterprises of the sectors of production have gone over completely to full cost accounting and self-financing starting with January, and improvement of the economic mechanism continues. As is stated in the CPSU Central Committee's address to the party and the Soviet people, a transition is being made to wholesale trading in the means of production, and planning, financing, and the system of credit are undergoing restructuring. Nevertheless, the economy has yet to be activated in the new way. People have yet to get a full sense of the results of economic restructuring. There is much that needs to be done, and here the party

has a precise program of action: acceleration of scientific-technical progress, radical economic reform, and making income directly dependent on the effectiveness of the work.

As you can see, the party considers that accelerating scientific-technical progress is one of the most important of essential endeavors for implementing the economic program. A firm foundation for all-round progress can be created only on the basis of radical changes in the economy. This is true, but it is also true that these changes are based on accelerated scientific-technical progress, which is based on the development of machine building. This was stated explicitly at the April 1985 CPSU Central Committee Plenum; it is an idea which stands out prominently in the 27th CPSU Congress, subsequent party plenums, and the 19th All-Union Party Conference. It is the focus of attention of recent party and government decrees. It was stated at the 27th Moscow Party Organization Conference, in particular, that capital investment in the development of machine building has been doubled. And the purpose of this is to open the way to scientific-technical progress.

In recent years, definite efforts have been made in our republic's economy to accelerate scientific-technical progress, remodel enterprises, develop and adopt new equipment, and turn out products matching world standards, although we do not have much to be proud about yet. This is attested by the results of 1988.

Last year saw continued adoption of scientific and technical advances in production, the search for optimal variants to increase effectiveness, and efforts to solve problems arising in this regard, but, as has been mentioned, we do not have much to be happy about.

In the fuel and energy complex, we failed to meet the target with respect to mining coal from mechanized workfaces. As far as the metallurgy complex is concerned, there was a slight rise in the production of pipes using thermomechanical and anti-corrosive coating treatment. The amount of such pipes added up to 2.02 percent of the total volume of production. This exceeds the indicator for the second year of the five-year plan, but it is not enough. The situation was also better in regard to the manufacture of heat-treated pump-compressor pipes. At the same time, we had trouble filling orders for continuously-cast steel. The percentage of continuously-cast steel in the volume of production last year stood at 8.39—lower than the level achieved the previous year.

In the construction complex, there was a rise in the amount of use of progressive base technology. The percentage of progressive types of construction-installation work in the volume of production stood at 34 percent. Nevertheless, we failed to make use of solar energy in the production of reinforced concrete and concrete structures.

How do things stand in regard to the machine building complex—the sector on which scientific-technical progress is based? Last year, products were supposed to be renovated in 17 of 29 machine building enterprises and associations, but five of them failed to meet the target and shorted the state by 1.4 million rubles. The percentage of products meeting world technical standards in the volume of production of the machine building complex stood at 61.4 percent, which substantially exceeds what the plan called for. In monetary terms, annual plans for the production of goods meeting world technical standards were underfulfilled by hundreds of thousands of rubles by Gruzelektromash, the Electric Locomotive Plant, the Dila Production Association, the Batumi Transformer Plant, and the Tbilisi Instrument Plant. According to the stipulations of the Basic Guidelines for the Development and Deployment of Productive Forces of the Georgian SSR for the Period to 2005, the output of the machine building complex is supposed to rise by 4.3 times. The accelerated pace of development of this sector is calculated primarily on the basis of accelerating the growth of subsectors oriented toward meeting the specific needs of the republic's economy.

In order to provide optimal employment for labor resources that are unequally distributed and ensure effective use of the republic's considerable scientific-technical potential, it will be very important to give priority to the growth of such subsectors of the machine building complex as the electrical and electrotechnical industry and instrument making.

Enterprises of these subsectors are made acceptable for our republic's conditions by their low materials-intensiveness and energy-intensiveness, their relatively smaller proportion of capital investment and payback period, level of environmental protection, and so on. These lines of endeavor are related in terms of their technology and functional purpose, have common problems in terms of the development of the technical base and scientific backup, and provide the possibility of expanding intra-sectorial cooperation within the republic's territory.

Why has the matter of developing machine building been brought to the forefront in the context of our republic's conditions? The fact is that the possibilities for further developing the republic's traditional sectors are quite restricted. Moreover, 2.5 times fewer labor resources will be necessary in maintaining the 1990 level of production volume through the end of the first five-year period in the next century. Yet the non-production sphere, despite its rapid pace of development, will not be able to give full employment to even one quarter of the labor resources that are released. And this makes it absolutely essential to find new, progressive directions in the further development of production. Under such conditions, scientists and specialists think, the most expedient way is to continue to give priority to the development of machine

building and, in particular, those subsectors which are of low metal-intensiveness and are geared to the use of highly qualified labor and the latest scientific advances.

The development of machine building also enables us to substantially expand the production of consumer goods and complex appliances. Giving priority to machine building and its science-intensive sectors will help us to resolve essential social problems such as reducing the republic's wage gap and providing employment for small contingents of surplus labor resources in highland and piedmont rayons, small cities, and rayon centers. Hence, under our conditions there is hardly any alternative to giving priority to the development of machine building.

As we know, implementation of the 15-year program is to commence at the start of the 13th Five-Year Plan, but in order to ensure timely fulfillment of it the foundations must be laid today. This is attested by materials of the 10th Session, 11th Convocation, of the Georgian SSR Supreme Soviet. The current year's state plan for the economic and social development of the republic states that the production volume in machine building this year is to be increased by 9.9 percent over last year—a rather substantial figure. The production volume of instrument making and agricultural machine building this year is to rise at an even faster pace.

As is well known, all enterprises converted to cost accounting and self-financing this year, although a substantial portion of enterprises in the machine building complex have been operating in the new way since the start of 1988. In the time that has elapsed so far, a certain number of them have managed to improve their financial situation and quite a few technical-economic indicators. But this is just a drop in the bucket. It is a sad fact that the republic's machine building complex has failed to fulfill the profit plan. It will not be easy to make it with that kind of "start" in the fourth year of the five-year period. Especially considering that this year the sector is going to have to deal with some very difficult tasks. Tbilisi's Stankostroitel Production Association, for example, fell hundreds of thousands of rubles short of fulfilling the profit plan. We are aware that this association is making considerable effort to accelerate scientific-technical progress and produce goods meeting world standards, and it is to be hoped that this will serve to make its financial conditions better.

One of the essential conditions for working in the new way is compliance with contract discipline, and it is precisely in this regard that things are not well in a number of enterprises of the machine building complex. One of the sector's major industrial outfits—the Tbilisi Electric Locomotive Production Association—fell 10.684 million rubles short of fulfilling the obligatory product delivery plan last year, and Stankostroitel Production Association fell 6.103 million rubles short. This situation is due to many objective as well as subjective

factors. Many organizational, economic, and technical problems need to be dealt with, including the matter of assembly parts and setting prices on finished goods.

Bringing the republic's machine building complex up to top world standards is a task of great economic and political importance today. Everyone must get actively involved in accomplishing it—in particular, the labor collectives of the machine building and related sectors. One of the most essential component parts of the concept of accelerating social-economic development is the program to modernize the machine-building complex. We cannot allow any deviation from this program, from the priority which the state accords to it. We must—not by words but by deeds—transform the whole republic, and in particular machine building, into a proving ground for the adoption of scientific-technical advances. We must substantially increase capital-to-labor and power-to-labor ratios and boost the percentage of progressive types of machinery and equipment. Our republic's manufactures of machine tools, electric locomotives, computers, motors and micromotors, cranes, automatic machines, instruments, and dozens of other kinds of products of the machine building sector must be competitive with their counterparts in the world.

TECHNOLOGY ACQUISITION, ASSIMILATION, COÖPERATION

Indian Firm Advertises Export of Machines, Equipment

18230044

[Editorial Report] Moscow SOTSIALISTICHESKAYA INDUSTRIYA in Russian for 26 April 1989 carries on page 3 an advertisement for an Indian trading company called Chinara Export Ltd. The firm's address is Krasnopresnenskaya Embankment 1404B and its telephone numbers are 253-21-96 and 253-21-97. The ad states that in 1982 the Indian government accorded the status of a "trade house" to the firm and it is the first such Indian "house" to be accredited to the Soviet Union. The ad further states that: "We engage in export-import operations with more than 50 countries. However, the Soviet Union is our largest trade partner. Chinara Export Ltd. supplies from India computers, cinescopes, other electronic equipment and various industrial goods, including modern machine tools, centrifuges, high pressure pumps, and so forth."

MOTOR VEHICLES, HIGHWAYS

Minister Interviewed on Auto Industry Performance, Development

18290098 Moscow *EKONOMICHESKAYA GAZETA* in Russian No 2, Jan 89 pp 6-7

[Interview with Minister Nikolay Andreyevich Pugin, USSR Ministry of Automotive and Agricultural Machinebuilding, by *EKONOMICHESKAYA GAZETA* correspondent Ye. Lukin, in the column: "Dialog with a Knowledgeable Interlocutor": "Automobiles Today and Tomorrow"; date, time, and occasion not given; first three paragraphs are *EKONOMICHESKAYA GAZETA* introduction]

[Text] Thousands of trucks and passenger cars roll off the assembly lines of our automobile plants every day. Alas! - their level, quality, economy, and comfort do not always satisfy present-day requirements.

What are the auto makers doing to improve the technical level of their products? How has economic reform affected accelerated introduction of scientific and technical attainments into practical application? What kind of developments in domestic auto construction can we expect in the near future?

The above topics are discussed by Minister Nikolay Andreyevich Pugin of the USSR Ministry of Automotive and Agricultural Machinebuilding in his talk with Ye. Lukin, our correspondent.

[Pugin] There is no doubt that economic reform has been an impetus to development of the sector, although not all problems have been solved, by any means. Some of them have even been aggravated.

Let me remind the readers that as of 1 January 1987 the automotive industry—as one of the "leading trio" of the machinebuilding sectors—made the change to the new style of economic management. It is true, though, that as early as the beginning of 1986 we started to "mull over" the new management mechanism that was based on the renowned economic experiment being carried out at the Volga auto plant and the Sumy Scientific Production Association imeni Frunze.

I can cite facts showing that the sector has effected definite improvements.

The auto industry has been steady in accomplishing its state tasks for three years of the Five Year Plan. We have exceeded the growth rates for production volumes and labor productivity specified in the Five Year Plan, achieved one billion rubles in output above that called for in the plan, earned about 600 million rubles additional profit, and attained reduction in production costs beyond the plan's requirements.

A new element in enhancing cost accounting relations in the sector was the creation of the sector Avtoprombank, which pools temporarily unattached assets of enterprises. Sector plants can obtain credit in this bank to finance their technical and social programs.

Of importance here is the fact that collectives got a "taste" of earning a profit, especially one beyond that called for in the plan, with a large part remaining at the disposal of enterprises. They came to understand that the money earned can be used to build more housing, and, even in the presence of rigid restraints on contract operations the collectives can search for additional funds and possibilities for this purpose to develop procedures whereby they can finance construction by means of their own resources.

The most typical example I can cite is the well-known initiative on the part of the Gorky vehicle builders, who mapped out their social "minimum program" of providing each family with their own apartment or house by 1995. Every year they are steadily accomplishing the plans they have set, albeit with great concentration of effort. Similar programs have been set up in other sector plants.

Another salient point: There has been a substantial increase in new products—from three percent in 1985 to eight percent in 1988. We are experiencing a change in nature of products, whereby items offering improved consumer qualities have started to gain dominance. Half the most important types are on a par with world level, whereas in the beginning of the five year period this index barely attained 20 percent.

However, we cannot close our eyes to the fact that it is stimulation of scientific and technical progress that today is one of the weakest links in the economic mechanism. There is a reason why, along with new economic methods, we still employ directive assignments to master new technology and introduce progressive equipment, robots, numerically controlled machine tools, electronics, etc., in addition to assignments related to raise the machine shift coefficient and improve equipment and metal utilization, in other words, to employ what amounts to administrative methods.

Reform still has not solved a major problem with respect to mass production: How are we to assure that enterprises will operate efficiently during the shift to new vehicle models? This question is particularly pressing for us, since under the 12th Five Year Plan we will replace virtually all of our major product lines and retool for about 250 new models and vehicle modifications.

[*EKONOMICHESKAYA GAZETA*] What obstacles lie in the path of product replacement?

[Pugin] First, periodic retooling of an auto plant for mass production of new generations of vehicles, combined with constant renewal of the technological base, requires

large capital expenditures both on the part of the automotive industry proper and the associated sectors. This has had a direct impact on availability of the necessary funds.

Second, since we are manufacturing thousands of vehicles daily, we must operate with the precision and continuity of finely-tuned clockwork. If you consider that a large percentage of auto plants operate virtually at 100-percent capacity, you will see the difficulty associated with the process of mastering new production without a break, at the same time adhering to mandatory commitment to producing the scheduled number of vehicles. Although the need for reserve capacities is generally acknowledged, we still do not have them. The rapid change to production of new vehicles characteristic of foreign countries is largely facilitated by operating the plants at 60 to 80 percent of capacity, as a rule.

Certain economic problems associated with the introduction of new technology have also not been resolved. For example, if an enterprise raises its output to the world level, it should receive consideration relative to payments into the budget, since the new technology requires additional expenditures. It happens that a plant's profit margin suffers a sharp drop as a result of a new model change (at existing prices); this should not be. In a word, there is no shortage of unresolved problems here.

I believe that temporary application of centralized planning methods to some extent in applying scientific and technical progress is justified as long as production falls short of demand. At the present time, in my view, the main criterion for evaluating the technical level of products and an effective stimulus for improvement is exporting, i.e., the existence of a perhaps small but steady demand on the world market. However, the time has come to look for new approaches to the development of other ways to effect economic stimulation of new product manufacture in the mass production environment.

[EKONOMICHESKAYA GAZETA] Four-fifths of trucks produced in the country carry a payload of four to five tons. This creates the impression that this is advantageous to ZIL and GAZ, but not to the national economy. According to some specialists, world production of trucks offering this payload amounts to only three percent. It is not surprising that ZIL trucks sometimes are loaded to only half their capacity. The inference here is that production of trucks is somehow unrelated to public needs.

What is being done to study consumer demand in the country? Will it be possible in the near future to reconcile the vehicle maker's priorities with consumer demand—to tie the sector's interests to needs of the national economy?

[Pugin] The only thing I can say is that in the design of any trucks we intend to produce their technical characteristics, including payload, involves input by major users, who in this case are the USSR Gosagroprom and the RSFSR Ministry of Automobile Transportation.

ZIL and GAZ trucks fall into the payload category of 2.5 to 6 tons. They are widely used in all sectors of the economy, primarily agriculture and general hauling.

It is another matter that these vehicles have been produced without appreciable changes for many years, while the loads hauled have changed considerably. There has developed a definite shortage of trucks carrying smaller payloads—up to 1.5 tons and smaller—and of trucks rated at 8 tons and higher.

The above considerations tend to reduce the requirement for GAZ and ZIL trucks in a number of sectors, while agriculture is experiencing a substantial need for such vehicles.

We have plans to develop the production of small-payload trucks and convert three-axle KamAZ trucks to the two-axle design. These design changes will enable us to increase deliveries of ZIL and GAZ trucks to the agricultural sector within the time frame of the 13th Five Year Plan.

I take issue with the three-percent figure. Our data tell us that the share of trucks in the three- to six-ton category in the total truck output of a number of West European countries amounts to 10 to 20 percent, 20 percent for Japan, and about 5 percent for the U. S., where, by the way, the share of low-tonnage trucks is 70 to 80 percent of the total.

You must also keep in mind that the total output of GAZ and ZIL trucks has remained constant for a number of years, while their number figured as a share of total trucks produced is declining: from 63 percent in 1980 to 59 percent in 1985 to the 54 percent planned for 1990 (with the number of KamAZ and MAZ trucks due to increase).

We determine the economy's requirement for trucks on the basis of joint studies carried out by the Institute of Complex Transportation Problems (IKTP) at the USSR Gosplan, the Scientific Research Institute of Automobile Transportation (NIAT) of the RSFSR Minavtotrans, the Central Scientific Research Institute of Automobiles and Automobile Engines (NAMI) of the USSR Minavtoselkhoz mash, and a number of sector institutes, that is, those organizations responsible for integrated development of all forms of transportation, automotive transportation and major aspects of automotive vehicles for the complete and efficient satisfaction of the needs of the economy with respect to both amounts and categories.

I believe that the change to retail sales of vehicles will enable us to tie technical policy directly to the needs of the economy.

[EKONOMICHESKAYA GAZETA] Both ZIL and GAZ trucks are powered by gasoline engines. However, everyone is aware that a gasoline engine consumes 30 to 40 percent more fuel than a diesel engine and that gasoline is more expensive. Why are sector enterprises so slow in changing to producing diesel-powered vehicles?

[Pugin] The development of diesel-powered truck production—slated first for ZIL and GAZ trucks—will enable us to raise the dieselization level to 47 to 50 percent by 1995 versus the 25 percent that was earmarked for 1985. Fuel savings resulting from dieselization of vehicles produced by ZIL and GAZ will amount to 8 tons per truck per year.

Unfortunately, there has indeed been a delay in accomplishing the tasks set for constructing the diesel facilities at the ZIL and GAZ associations. The builders have fallen behind their deadlines by 18 months to two years at the ZIL and by two years at the Gorky Automobile Plant.

What are the principal causes of the delays?

They include insufficient capacity of contract construction organizations, failure to meet deadlines relative to installing manufacturing and engineering equipment, and loose ends on the part of association collectives proper. I must say that we have made and put into practice a number of important decisions relative to refurbishing the ZIL with progressive metalworking machinery and to social and other problems associated with accelerating the change to new models.

The GAZ production association plans to complete construction of its major facilities and start serial production of the GAZ-4509 truck in 1990.

[EKONOMICHESKAYA GAZETA] What is the technical level of the diesel trucks slated for serial production? How was it determined?

[Pugin] The technical level of diesel-powered GAZ and ZIL trucks was established by comparison with contemporary foreign trucks of related class and purpose, of course with introduction of a correction for improvements estimated to be effected in next year's models.

For example, we compared the GAZ-4509 with the Iveco-Fiat 9514K-380 (Italy, 1987) and the Ford Cargo 0915 (England, 1987). They are not superior to the domestic truck in technical parameters (payload, horsepower, material requirements, fuel economy). At the same time, the

Gorky truck (destined to operate primarily in an agricultural environment) offers—in contradistinction to its foreign analogs—greater off-road capability, a lower minimum speed (2 to 3 km/h) for compatibility with agricultural machinery, and a low tire pressure, which prevents disturbing top soil.

Much has also been done to endow the ZIL truck with a high technical level. However, certain technical problems have not been resolved. One of them—perhaps the most important—is that of fuel economy. It is still inferior to that of the foreign truck.

The ZIL-4331 is still undergoing improvement. We have already found solutions relative to improving the major technical parameters of this vehicle, particularly lowering the fuel consumption. Incidentally, computations performed by ZIL designers indicate that this truck will "go" 500,000 kilometers without major overhaul.

[EKONOMICHESKAYA GAZETA] Now let us discuss passenger cars. The Kama, Oka, and Tavriya were designed and created several years ago. They are still being exhibited as the latest designs that may be produced in the near future. What is the matter?

[Pugin] Indeed, the ZAZ-1102 passenger car—the Tavriya—is the latest development of the Zaporozhye plant, which made preparations to manufacture this model on a priority basis, having started serial production. The plant is continually increasing output of the Tavriya; about 400 cars are rolling off the assembly line every month.

Concerning the VAZ-1111 Oka, its design and testing have been completed. Of course, experimental models are being exhibited as the design that in the near future will be manufactured by three plants—the Volga, the Serpukhov (the latter was recently incorporated into the AvtoVAZ association), and the Kama plant, which will produce it as the Kama. In 1988 the VAZ produced a limited number of pilot models.

[EKONOMICHESKAYA GAZETA] Nikolay Andreyevich, what general plans are there to "motorize" the country's populace? Following the rapid growth of vehicle manufacturing of the 1960s and 1970s, a time when our passenger car output rose by six times and surpassed many automotive powers, we experienced a halt. For the last ten years car sales to the public have remained at about the same level—one that can hardly be considered sufficient, considering that long lines of potential purchasers are "strung out".

[Pugin] Yes, annual USSR passenger car output has remained at the 1.3 million level for some time. This figure was attained soon after 1975, when the new Volga plant commenced operating and the Moscow Plant imeni Lenin Komsomol and the Zaporozhye Kommunar Plant were refurbished. Although about 70 percent of

total passenger car output is sold on the home market, you are right in saying that this amount does not completely satisfy effective demand.

Demand satisfaction for passenger cars in the USSR is presently 49 out of 1,000 inhabitants. In many CMEA countries it is considerably higher: 208 in the GDR; 180 in the CSSR; while in West European countries and Japan the figure is 300 to 400 cars per 1,000 inhabitants.

Production expansion in the USSR has until recently been hindered by limited availability of the necessary material and labor resources. Intensification of social orientation of economic development, as provided for by the resolutions passed by the 19th All-Union Party Conference, has been particularly reflected in decision to realign the tractor plant under construction in Yelabuga for production of passenger cars in the amount of 900,000 units per year. The plant's first priority is mass production of the Oka, the very small economy car. The Oka will render car ownership affordable for persons having relatively low incomes.

Thus, erection of the auto plant in Yelabuga and refurbishing of existing enterprises, which has the purpose of organizing production and output expansion of fundamentally new generations of vehicles, will make it possible to virtually double present passenger car production. It should be clear that sales of these vehicles will increase on the home market. However, we must not forget the need for an integrated approach to enlarging car output. We are also faced with carrying out a number of measures relative to developing the infrastructure and creating the conditions conducive to normal use of the growing fleet of passenger cars.

[EKONOMICHESKAYA GAZETA] We are selling large numbers of cars in foreign countries, even though we have not satisfied the demand inside the country. I do understand that without exporting there would be no foreign exchange, modern equipment, and advanced technologies. What are the current trends in export development?

[Pugin] For many years Soviet-made vehicles have been steadily exported to dozens of countries; they have won recognition in foreign countries and, as I have already said, this is a proof of the fairly high level of our automotive offerings. The sector is responsible for about 80 percent of receipts of freely convertible currency from export of the machine building products.

The high requirements made by foreign partners of export vehicles and special export modifications tend to raise auto production for the home market to a qualitatively new level. In addition, the export of motor vehicles, especially to the developed capitalist countries, makes it possible to study advanced methods of technical service and apply the experience, level, and style of auto service to improve this activity in our country.

I am of the opinion that expansion of exports of our vehicles, in addition to its being a pressing national economic task, is also a means of developing economic and technical collaboration on the world market.

[EKONOMICHESKAYA GAZETA] It is impossible to create a new vehicle without the necessary materials - plastics, rubbers, etc. What is being done to bring about smoother planning in the creation and production of new materials required by auto manufacture?

[Pugin] Indeed, the supply of components, materials, and manufacturing equipment by associated sectors is for us probably the most difficult problem in any of its aspects - in amounts and assortments, in regularity and dependability of delivery, in quality of deliveries, but mainly in technical level. Estimates by experts point out that 50 percent of the technical level of an automobile is determined by the quality of component parts and materials. This affects the quality and reliability of our products and the level of manufacturing equipment.

It is natural that with such a close relationship and the auto industry's dependence on associated sectors, the slightest trouble on the part of their partners is immediately felt by auto makers. This effect was especially apparent as soon as our products appeared on the foreign market, primarily in countries possessing freely convertible currency.

We still do not have a reliable economic incentive for associated sectors to actively set up component production for the auto industry. It is a paradox: In all the world, machine tool, metallurgical, chemical and other firms that manufacture machinery and materials fight over orders from automotive enterprises, seeing in them steady and profitable consumers. In our country we have the opposite - associated sectors use any excuse to refuse our requests.

In a period of 12 years (from 1975 to 1987), our suppliers were able to produce only 440 items out of a total of 980 that we had ordered! Production of progressive types of materials and components for new models is riding along at 50 percent of the intended level.

The last example: Out of 15 sectors to which we sent requests for provision of components for manufacturing the new Oka at the Yelabuga plant, so far only two have given a positive reply.

The above is the quantitative aspect of the problem, so to speak. Speaking of the quality aspect, I cite just a single statistic: According to last year's data, about 70 percent of complaints made by people who buy our VAZ-2108 and 2109 cars in capitalist countries pertain to items made by our suppliers. For this reason, the change to mass production of the new cars, especially export models, is accompanied as a rule by large purchases of materials and components in foreign countries. Clearly, this cannot solve the problem in its entirety.

I must say that the sector is already transferring a part of the foreign exchange earned to associated sectors so that they can purchase import equipment and organize production of components; we are also rendering assistance in the production of equipment, etc. However, we see that the solution to the problem lies largely in effecting further expansion and improvement of cost accounting ties between enterprises of the various sectors and in developing integrated processes they can share, which has been made possible by passage of the State Enterprise Law. Only the introduction of realistic incentives for labor collectives can set up a solid basis for relations between the auto industry and associated sectors.

Speaking of accelerated development of the sector, incidentally, we must not forget that auto manufacturing is one of the few sectors whose development affords a highly tangible "multiplying" effect relative to acceleration of scientific and technical, economic, and social development of the country.

You often hear expressions such as "the automobile made America" or "automobiles made Japan." There is much truth in these words. All we have to do is recall what a powerful impetus the creation of the industrial base and production of modern vehicles at the VAZ and KamAZ in the 1970s were for the economy.

These auto plants were provided with hundreds of new types of progressive machinery and automation tools, construction materials and materials needed in manufacturing: metal stock and plastics; sealers and adhesives; glasses and anticorrosion paints; lubricants and engine oils; fabrics and artificial leather; and tires and other rubber products. All these items were produced for the first time in the country, not in trial lots, but in large industrial amounts. This is not to mention the new methods employed in industrial and residential construction associated with the erection of these auto plants and the raising of new towns, or the concurrent development of the road network and vehicle service system.

In a word, mass production of new automobiles initiates a kind of chain reaction of scientific and technical progress in dozens of economic sectors: machine tools and electronics; chemistry and petroleum chemistry; ferrous and non-ferrous metallurgy; construction industry; light industry; road machinery construction; and in other sectors.

Just now, in the light of the substantial increase in auto output provided for by the decisions adopted at the 19th All-Union Party Conference, great importance attaches to the processes that accompany auto construction development: comprehensive acceleration of scientific and technical progress in the national economy; activation of domestic goods turnover; steady supply of foreign exchange from exports; and many other processes that should be utilized in full measure and with maximum effectiveness.

[EKONOMICHESKAYA GAZETA] Nikolay Andreyevich, this past December the Presidium of the USSR Supreme Soviet formed the USSR Ministry of Automotive and Agricultural Machinebuilding out of the former Automotive Industry and the Tractor and Agricultural Machine Building ministries. What can you tell us about that?

[Pugin] Yes, this entails the creation of a conglomerate which is the largest in our industry, one in which about half the total output of civilian machine products is concentrated. As a result, we must approach with greater effectiveness the utilization of the combined production and scientific potential of the two sectors to accomplish the tasks set for us, primarily providing agriculture with the necessary transportation and machinery. Here we must take into account the technical level, quality, and the major changes occurring in agricultural economy. I am referring to broad development of contract, lease, "farmer", and other new forms of economic arrangements in agriculture that lie at the basis of the party's present agrarian policy.

On the other hand, the new ministry in the presence of such a degree of concentration of potentials can, in my view, become a model for developing new forms and structures for state regulation and economic control of a large number of independent production associations and enterprises employing situation accounting and self-financing.

Vlasov Examines Non-Chernozem Zone Road Program

18290135 Moscow PRAVITELSTVENNYY VESTNIK
in Russian No 5, Mar 89 pp 3, 5

[Article by CPSU Central Committee Politburo Candidate Member and RSFSR Council of Ministers Chairman A.V. Vlasov: "Where Do the Roads of the Non-Chernozem Zone Go?"]

[Text] The question in the headline is not a casual one at all. It reflects the critical state of a most extensive region of the country literally suffocating from a shortage of roads—those manmade arteries of civilization. The actual situation is that the need for improved-surface general-use roads is just half met, while for the intra-farm roads most important to support normal daily life, it is only six percent. Tens of thousands of villages are cut off from the outside world.

Up to 15 percent of agricultural output is lost due to the lack of roads in the Non-Chernozem Zone. Transport costs take up an enormous proportion—about 40 percent—of the cost of farming and animal-husbandry output. Their overall size exceeds 3 billion rubles annually.

The economic losses are colossal. But who will undertake to count the moral burden that the residents of the "backwoods" suffer every day and every hour from the

awareness of their social inferiority? By what measure do we reckon the sadness of people who lose their relatives and loved ones due to the impossibility of obtaining timely medical assistance?

It is to no small extent due to the lack of roads that rural laborers, especially the young, are abandoning their native areas by the tens or even hundreds of thousands. Housing built with sometimes outright heroic labor stands empty—over 30,000 apartments are unoccupied on the kolkhozes and sovkhozes of the region. Up to 80,000 village homes have no owners. There are just an average of 17 people left in 65,000 small villages, and another 13,000 number about 70 residents. If you take into account that there are practically no stores, consumer enterprises or clubs there, you can imagine under what conditions the people live and work, the people to whose lot has fallen the difficult but honorable cause of feeding the people.

Life convinces us that the resurrection of the non-chernozem village is impossible if the lack of roads is preserved. And billions will simply "get stuck" in it. Here are typical lines from a letter by Aleksandr Vasilyevich Smirnov, who now lives in the city of Rybnoye in Ryazan Oblast: "I am a former machinery operator who dumped his specialty and his village, namely due to the unbearable working and living conditions, sorry about it all the time, feeling out of place in the city, taking any opportunity to visit my native areas. I need a big push to go back home, confidence that my work in the future will be satisfying to me. And roads are just what change life for the better."

Just 18 kilometers of roads were needed to breathe new life into one of the backwoods kolkhozes of Yukhnovskiy rayon in Kaluga Oblast. The road not only resurrected the central farmstead of the Zavety Ilichia Kolkhoz, but also four recently expired villages to which water and gas lines are now being extended. Over fifty well-appointed apartments have been built on the farm; a trade center and a medical station with a preventive-medicine clinic has been set up and a Culture Hall with 200 seats will soon be put into service. A kindergarten with 50 places has filled up, and the construction of a new school for the children will begin next year. The sowing of flax has increased by more than five-fold on this small farm over this time. The number of cows has increased considerably, and milk yields have gone up. The annual profits have now reached half a million rubles. Some seven private automobiles have appeared in the village. The list of those wishing to acquire them is growing.

There are no few such examples. But all of this is just the first step to the resurrection of the region. And it would evidently not be an exaggeration to say that the adoption of the State Program for the Construction and Reconstruction of Auto Roads in the Non-Chernozem Zone of the RSFSR was a fateful event for its twelve million rural

residents. The people waited and believed that the time would come when the roads would stretch to the most remote villages and bring vital changes. And that time has come.

The Non-Chernozem Roads Program is based on a profound analysis of the state of affairs in each of the autonomous republics and each oblast, and it takes the proposals of rural residents into account. The chief aim of the program is to lay down reliable routes to all populated points, animal-husbandry complexes and farms without exception and to include all the roads of the Non-Chernozem Zone in the unified transportation network of the country. Translated into figures, this means that in 1988-95 we will have to build and reconstruct up to 200,000 km of hard-surfaced auto roads, of which 130,000 are on farms. The scale of the impending work becomes more comprehensible if we say that today the farms of the region have just 32,000 km in all. The fulfillment of the program will provide each farm with roughly 15 km of roads versus today's 3.3 km.

The question arises of whether the projected breakthrough in road construction is possible. Yes, it is. And first and foremost because the necessary financial resources for this purpose have been found. The discussion concerns an enormous sum—36 billion rubles. This is, I would note, seven times more than has been invested in roads over all of the prior 12 years since we have actively taken up the development of the Non-Chernozem Zone. A considerable portion of the funds that were allocated for land reclamation before will go for road construction. We will also have to accomplish a certain redistribution of capital investment aimed at productive rural construction. The proportion of capital spending for this purpose along the lines of the agro-industrial complex of the zone will increase by 3.6 times in the 13th Five-Year Plan.

The personal savings of the citizenry will also be attracted. An interesting idea on this score was contained in a letter by serviceman N. Sapozhnikov. He proposes conducting a "road loan" to which he himself is prepared to subscribe 200-300 rubles. What is the attraction of this idea? With tens of billions of dollars in their savings passbooks, the rural population of the region could take active part in financing the road program, literally achieved through the suffering of both the people and the state, on a mutually advantageous basis.

A breakthrough is also possible because the essential construction capacity for the assimilation of the enormous capital investment is being created. This includes first and foremost Rosagropromdorstroy [RSFSR Agro-Industrial Road Construction Trust]—a specialized organization for laying roads on farms. The road subdivisions of the republic Minavtodor [Ministry of Highways] have also been considerably reinforced. The principal union construction ministries have been put into action on fulfilling the program.

The breakthrough will certainly occur, since the people have believed in it. They have believed both energetically and with a great desire to get down to business. The results of 1988 serve as confirmation of this: some 12,400 km of roads were built, four times more than the annual average for the 11th Five-Year Plan.

Almost all of the autonomous republics and oblasts of the region were able to handle the planned volumes of road construction.

Almost half of the thousand and a half km of roads that have been put into service over the last three years were built last year. The road workers of the Chuvash and Mariy ASSRs and Vologda, Bryansk and Orel oblasts also worked quite well. The first successes are at hand, in short, and we are glad of them.

At the same time, the work last year illuminated serious problems as well that—if not resolved in timely fashion—could be a drag on the realization of the road program. The local soviets and republic and all-union construction organizations first and foremost will have to accomplish a sharp increase in the volume of operations. Recall that the target for road start-up this year is one and a half times last year's level. Additional financial resources and growing quantities of bitumen, cement and rolled ferrous metals will be required to fulfill the program. The production and technical base of the road- and bridge-building organizations will have to be expanded and modernized, and output capacity for non-ore building materials will have to be increased. But the main thing is that it is necessary to prepare a collected of skilled workers and specialists many thousands strong.

It is of course exceptionally important to make efficient use of what the state allocates. But that is not enough. All existing local capabilities must be mobilized and the positive experience of road construction broadly utilized. The idea, in other words, is that the local soviets of people's deputies become its leaders, organizers and coordinators.

It is namely the soviets that should take into their own hands the special fund for the construction of auto roads in the Non-Chernozem Zone to which voluntary contributions are made by enterprises and organizations, kolkhozes and sovkhozes, and individual citizens. The holding of dedicated volunteer Saturdays and special "road"-money lotteries are also projected beginning this year. The effectiveness of these good endeavors will depend largely on how skillfully they are organized by the local soviets.

Matters will undoubtedly proceed more quickly and happily for the road builders if they actively incorporate new and progressive forms of labor organization, first and foremost the collective contract, leasing and cooperation. Here the dissemination of experience is also

worthwhile. In Bryansk Oblast, for example, the planning, repair and construction auto-road association is operating entirely on collective contract. Much attention is being devoted there to scientific and technical progress, and all of the collective's work is oriented toward the end result. Last year the association overfulfilled the plan for the start-up of roads and the target for profits. A benefit for the state and you're none the worse off either, as they say.

The Ugra road-construction cooperative has been created in Kaluga Oblast. The travel-shift method is being widely utilized there. The members of the cooperative work quickly and at high quality. They covered 19 km with asphalt and prepared another 20 km of roadbed with all of the engineering support structures over just seven months. The output per worker over that period was 16,000 rubles, which is almost twice as high as the average for RSFSR Minavtodor. This experience apparently merits the most widespread dissemination. And the deciding word here once more belongs to the local soviets of people's deputies.

The military engineering units are called upon to play a large role in implementing the program. Highly mobile and technically well-equipped formations numbering several tens of thousands of men are involved in road construction. The effectiveness of the work of army construction troops will be largely determined by how the local soviets concern themselves with the creation of normal everyday living conditions. One can hardly expect good results from the military construction workers in Vologda Oblast, where the need for housing for the military has been less than a third satisfied. Meanwhile, the construction of 15,000 km of roads for the Vologda residents is projected—much more than any other oblast or autonomous republic of the Non-Chernozem Zone.

The local soviets have an exceptionally important role in the cause of providing the essential materials for road construction. All are complaining about the shortage of gravel, sand and ballast. Over 1.3 billion cubic meters of them will be needed for the fulfillment of the program. And if another 30 million cubic meters of reinforced-concrete structural elements are added to this, it becomes clear what an additional burden is being placed on the country's resources. The question of local initiative is coming up everywhere in most acute fashion. In the Karelian ASSR and Murmansk and Sverdlovsk oblasts, for example, there are great capabilities for increasing the production of ballast based on utilizing the stripped rock by-products of mining and enrichment combines. In other places the slag of metallurgical plants, the ash of thermal electric power plants, the by-products of coke and petrochemical production, phosphogypsum, crumb rubber and the polymer by-products of organic synthesis could be used. What an expanse for initiative and socialist enterprise is opened up here! But nothing will move from a standstill if the local soviets first and

foremost, as well as the Gosagroprom [State Agro-Industrial Committee] of the Non-Chernozem Zone and certainly Minavtodor, do not take matters into their own hands.

The enormous scale of the road-building work that will have to be accomplished in the coming years could have a negative effect on the ecological situation in the region. This means it is essential to be concerned even now with the protection of nature and not to allow the predatory and poorly thought-out development of quarries, as well as to provide for the complete recultivation of the land. The program itself, by the way, envisages versions of auto road rights-of-way that take into account protecting preserves, architectural monuments and populated areas from noise, vibrations and exhaust pollution.

The ecological aspects of road construction are properly being stressed by Doctor of Technical Sciences I. Yevgenyev. He has calculated, for example, that 50,000 cubic meters of soil are needed for a kilometer of fill on a level surface, and a quarry of one hectare with a depth of five meters is needed to obtain it. I would like to share the concern of the author about a possible gross-output approach to the fulfillment of the road program. It cannot be permitted that the chase after rubles of assimilation and kilometers of ground covered displace concern for conserving and not harming nature. Departmental and technocratic approaches must be countered with the well-defined ecological position of the people's deputies and the entire population.

The level of technical equipping of the construction workers will naturally have key significance in the implementation of the road program in the Non-Chernozem Zone. We hope that Minstroydormash [Ministry of Construction, Road, and Municipal Machine Building] and the other ministries putting out road machinery will mobilize all reserves to provide the road workers of the Non-Chernozem Zone with reliable and highly productive equipment and will arrange for its plant servicing.

Where do the roads of the Non-Chernozem Zone go? If this question were to be answered briefly, then it could be said they go toward the resurrection of ancient Russian lands and the creation of normal living and relaxation conditions for the people on them. If we reveal this answer, then the idea is the return of millions of hectares of agricultural lands to national-economic circulation, the resurrection and social infrastructure of thousands of villages, the preservation of popular traditions and the restoration of once-flourishing types of production and popular trades. The issue is the intensive development of the agro-industrial complex supplying foodstuffs to industrial regions where almost a quarter of the country's population lives.

In past years people left the village on bad roads, or else without any roads at all. I would like to believe that the time is now not far off when they will return to their homes on new and modern routes.

Krasnoyarsk Bus Strike Reviewed

18290116a Moscow SOTSIALISTICHESKAYA
INDUSTRIYA in Russian 22 Feb 89 p 3

[V. Pyrkh, SOTSIALISTICHESKAYA INDUSTRIYA correspondent, "After the Strike": "Until Lightning Strikes"]

[Text] On that day in Krasnoyarsk, 78 buses were without drivers. Kray center residents walking up to the bus stops were puzzled. They had never before seen such large crowds of passengers.

"What happened? Why are the buses not running?"

Later the word spread throughout the city: The drivers were on strike.

I had never seen such a large number of managers in an average motor transportation enterprise. Executives from the krayispolkom, the gorispolkom, local party organs, the Krasnoyarskavtotrans—everyone was there. I found myself thinking that these managers should have been there about a week earlier, before the strike began. Perhaps in that case people would not be freezing at the bus stops.

Exactly what happened at Passenger Motor Transportation Association No 5? The argument advanced by "those disturbing the peace and quiet" was extremely simple.

"We are dissatisfied with the wages," said driver A. Patrikhaylov.

"In January, for example," said brigade member Ye. Bykov, joining the conversation, "our brigade was paid 1,000 rubles less than in December, even though we did the same amount of work."

In general, the situation is familiar. Someone received less pay than he expected, while someone else was denied a bonus. But, for goodness' sake, is that a reason to call a strike? And punish thousands of people by forcing them to wait at bus stops for hours on end? Is there no other way to resolve these problems?

"We did not decide to do this on the spur of the moment," said the drivers, trying to win me over. They showed me minutes of meetings and told me about the demands they had submitted to management. Many changes had occurred after economic accountability was initiated. They previously were paid substantial bonuses, and everyone was satisfied. All of a sudden it became necessary to try to get along with less money. Most striking was the inflated staff of engineering and technical personnel and the exorbitant bonuses they are paid. This coming April a new wage scale is to take effect; this was the straw that broke the camel's back. However, the management has a different outlook.

"We approached the drafting of the new agreement with a sense of responsibility and democracy," said Krasnoyarskavtotrans Chief V. Kuchinskiy. "Way back in December we convened a meeting of the brigade leaders, wherein we acquainted them with the facts and figures and promised to make them available for discussion in the collectives."

However, it was participation in agreement drafting—not discussion—that the laborers wanted. All the more since the system proposed by management would require the drivers' brigade to insure that no bus would ever miss its appointed run.

"That is not realistic," protested the drivers, countering that proposal with one of their own. It spelled out the conditions attending the payment of partial bonuses in the event drivers fail to adhere to the posted bus schedule.

In a word, the positions of both sides took shape, and it was time to sit down at the bargaining table. This is the purpose of the association's economic service, which is an effective management tool. Indeed, drivers are now literate people—many possess a higher education. The bargaining did not take place, however. Management was placing its hopes on the forthcoming trade union conference, wherein all these problems would supposedly be resolved. However, the laborers had no intention of waiting for that.

This turn of events was unexpected, even by the association party organization.

"Six communists showed up for the shift," said party bureau chief Ye. Dzukayev. "But they were not permitted to drive their buses. The strike organizers blocked the way with a bus and closed the gates. But on the previous day, before the shift, there were no signs of trouble whatsoever."

That is not much of an explanation. A very critical situation was developing in the collective, a serious dispute was coming to a head, and the party secretary could see no "signs of trouble." What about the mood of the people and their attitude toward work—is that not food for thought?

Later that evening a compromise was reached in the association: Three initiative groups were organized. One was for wages; one for enterprise structure; and one for studying work conditions. A meeting of laborers was set up for the following day. The drivers took to their buses. Was the conflict resolved?

Returning to the correspondents' office, I retrieved from my desk a letter bearing the signatures of drivers. In this case they worked for Unit No 1264 of the same Krasnoyarskavtotrans. "One year ago," the drivers wrote in this letter to the editors, "a new enterprise chief—V. Vorobyev—was foisted on us. More than 65 percent of the

delegates in a conference voted against him. Nonetheless, the Krasnoyarskavtotrans management ignored our sentiments. Having become imbued with 20 years of stagnation, we held our tongues and waited to see what would happen. What came about subsequently could not have been worse. People who work tooth and nail with their KamAZes are paid 200 to 250 rubles a month, while the truck unit's engineering and technical personnel earn twice as much. If you try to query the planning department or bookkeeping, you will not be told the truth. Everywhere you look you see deceit and mutual cover-up on the part of engineering and technical personnel and management."

The letter bore 51 signatures. I talked with its authors. Their complaints were about the same as those of the drivers serving passengers. There were 48 engineering and technical workers versus 266 drivers. It must be admitted that a reduction in force was carried out last year, whereby four positions were eliminated. However, two years previous to that those positions did not even exist. The drivers' workload is growing, while their wages are not following suit. Even a bus belonging to the unit which for years furnished free transportation to the drivers' homes now charges a fee for this service. Economic accountability has nothing to do with this situation.

Last year the truck unit earned more than 5 million rubles—almost 16 percent more than had been planned. Labor productivity increased to somewhat more than 21 percent. Meanwhile, drivers' earnings rose by little more than 9 percent. However, the salaries of the enterprise's engineering and technical workers climbed by almost a third. How could such a difference go unnoticed?

Let us return to Passenger Motor Transportation Association No 5 and its workers' meeting. Although the initiative committees had only a few days in which to work something out, they accomplished quite a bit. The laborers present in the assembly hall learned that: in one day it was possible to remove some obstacles on the city's routes which some city authorities could not seem to get to for years; five "superfluous" engineering and technical positions had been discovered in the association; brigade No 7 had indeed been underpaid a large sum of money. Quite a stir was caused in the hall when it was made known that drivers are ordinarily paid a bonus of two or three rubles for reducing their consumption of fuels and lubricants, while bonuses paid engineering and technical workers rarely amount to less than 100 rubles. It was a revelation for the workers' collective when driver A. Patrikhaylov, an initiative committee member, informed them that in March of the preceding year repair shop chief A. Vaymer, chairman of the association STK [technical supervisory service], was awarded two bonuses: one for 140 rubles, later one for 290 rubles. Krasnoyarskavtotrans apparatchiks and STK managers evidently are able to find a common language.

Next to speak to the laborers was I. Zaytsev, deputy chief of the Krasnoyarskavtotrans association. His speech reflected exactly what the drivers demanded several days previously, what I myself had heard from them the day before. The amount of bonus had been increased, and payments are to be made on the basis of the system proposed by the drivers. Did this mean that funds had been found and that common sense prevailed, thus paving the way for accepting the laborers' proposals? Why was all this not done before?

Yes, management largely ignores the workingman's opinion. It took the meeting for them to explain who participates in the committee drafting the new collective agreement and who of the rank-and-file workers has been given the opportunity of even seeing the existing agreement. Highly inaccessible, it gathers dust in trade union files; only a select few are privy to its contents.

I do not in any way condone the strikers' behavior. All I have to do is recall how people—women, the elderly, children, and laborers also, stood around in the cold at the bus stops and my indignation starts to mount. This is not the way to prove your point or redress an injustice. Nevertheless, I am bothered by the question: Why must it take something special for people to be heard—for their demands to be noticed?

"We will get back to you. We will definitely get back to all your problems in a month's time," krayispolkom Deputy Chairman V. Glotov promised the assembled drivers.

The hall fell silent. The necessary words had been spoken. It is a shame that it took a strike to bring them out.

Poor Roads Blamed for Vehicle Accidents

18290116b Riga SOVETSKAYA LATVIYA in Russian
25 Dec 88 p 3

[Article by V. Khmelevskiy, Deputy Department Chief, Republic State Motor Vehicle Inspection Administration: "In the Interests of Highway Traffic"]

[Text] One out of eight traffic accidents is attributable to poor streets and roads in our republic. Drivers are quite familiar with the hazards that may be encountered. They include asphalt knocked out of road pavement, a pothole lying under a puddle of water, and incorrect signs. This can cause not only damage to a vehicle, but loss of life as well. Drivers who use a particular route with any degree of frequency ordinarily know where the "road reefs" are hiding. What if a driver wishes to travel unfamiliar routes in Latvia?

To reduce the risk of accident as a result of poor streets and roads, personnel of the State Motor Vehicle Inspection are working in collaboration with road and municipal services to identify hazardous sections and improve driving conditions. However, they cannot uncover all dangerous sections.

In this connection, the State Motor Vehicle Inspection Administration of the Latvian SSR MVD requests that all persons using the roads and highways provide it with information relative to traffic and roadway conditions (need for installation or removal of road signs, restricted visibility, absence of sidewalks, underground crossovers, and safety barriers in hazardous areas, etc.). It is possible that drivers will be able to point out dangerous sections of roads and streets which cannot be negotiated without violating one traffic rule or another. By supplying us with information, you will facilitate the work of the GAI [State Motor Vehicle Inspection] and road services, thus helping yourself and other drivers.

We request that you send your comments and suggestions to: Road Supervision Department, UGAI MVD, Latvian SSR, 226001, Riga, ulitsa A. Barbyusa, 9, before 15 January 1989. All suggestions will be carefully considered and referred to the respective service for action. Corrective measures taken will be communicated to the public and the Transportation Work Coordination Committee of the LaSSR Council of Ministers.

RAIL SYSTEMS

Grain, Sugar Shipment Problems Investigated

18290084 Moscow GUDOK in Russian 24 Jan 89 p 1

[Unattributed report: "The Bitter Chronicle of Sugar Shipments"]

[Text]

In the USSR KNK [Committee of People's Control]

23 December 1988: The USSR KNK considered the responsibility of A. Samborskiy and A. Chursin, deputy chiefs of the Odessa and Southeastern Railroads, respectively, for the disruption of grain and sugar shipments.

In September and October 1988, the shipments of 308,000 tons of grain and 90,000 tons of sugar were interrupted on these lines.

The basic reasons are poor technical discipline, unsatisfactory utilization of rolling stock, and poorly organized work at the points where the cars are prepared.

The irregularities permitted on the Odessa Railroad were especially disruptive. Provision was not made for the timely shipment of 266,000 tons of imported grain from the ports of Ilichevsk, Izmail and Odessa in October and November and for 15 days in December.

The task of shipping sugar was not fulfilled, either. More than 40,000 tons of sugar were not dispatched in September and October because of the failure to deliver railroad cars and containers.

During the same period, the Southeastern Railroad failed to ship 54,000 tons of sugar, half of which was because of insufficient cars. Over the 2-month period, 33 to 73 percent of the planned volume of sugar was not delivered by plants of the "Voronezhskharagroprom" and "Tambovskharagroprom" Production Associations alone to Vologograd, Omsk and Saratov Oblasts through the fault of railroad workers. A similar situation was found in a number of other oblasts.

To the detriment of food shipments during September, a large number of cars were used to ship other items, including those not provided for by the plan.

The unsatisfactory organization of work at the rolling stock preparation points complicated the shipment of sugar as well. Instead of the norm of 305 cars, 172 were prepared in September and 152 in October.

A. Samborskiy, deputy chief of the Odessa Railroad, has been given a strict reprimand for nonfulfillment of grain and sugar shipments in the volumes established, which led to serious disruptions in a number of regions of the country in supplying the public with bread, in supplying children's and medical institutions with sugar, and in supplying livestock breeders with mixed feed.

A. Chursin, deputy chief of the Southeastern Railroad, has been given a reprimand for lack of discipline in organizing the priority delivery of railroad cars to ship sugar and sugar beets and for permitting bluffing in reports on the availability of equipment handling resources.

The USSR KNK has obliged the Ministry of Railways' lines to take effective steps to eliminate shortcomings and provide for the timely shipment of foodstuffs. They have been ordered to report back on the results in March 1989.

As we see, the period of time is severe, as required by the food problem situation. For this reason, without putting it off, the editorial staff has asked our correspondent on the Southeastern Railroad, V. Ryzhkov, how the sugar delivery situation is being changed. Here is what he reported:

In the Voronezh Stores

On 30 and 31 December the sugar vanished. People were rushing about the city. The address of apparently the only place where they are issuing coupons is passed along by word of mouth: a self-service store in Severnyy Rayon.

Those in the pre-New Year line were nervous and at a loss: who is to blame for the poor commercial organization? Or have the sugar plants cut back the output of granulated and lump sugar?

3 January 1989: It became known that the Georgiu-Dezh Sugar Plant was recognized as the winner in All-Russian socialist competition. The collective overfulfilled the plan. Other processing enterprises in the oblast are coping with the state order. But where is the sugar?

9 January: "The warehouses are full. Please send cars immediately." This telegram went out from the Kalach Sugar Plant to the management of the Southeastern Railroad and the Georgiu-Dezh Division.

At the Warehouse

10 January: "There are still no cars," says the plant manager, A. Fedulov. The situation is critical. Aleksandr Pavlovich is asking them to come to the warehouse for the finished product. Continuous stacks of bags from floor to ceiling—about 16,000 tons of sugar. A small area remains for stacking. It will also be full in 3 days. Instructions have been given to prepare an area outside.

"The sugar will be stored out in the open?"

"What are we to do unless the railroad workers deliver," A. Fedulov says, without concealing his indignation. "In January, 87 cars were ordered, 29 for a 10-day period. We have received only 17 in the first 10 days."

The shipment was no better in the second half of last year. The plant was especially feverish in September, October and November. The Chita and Kemerovo Rosoptproduktorgi [RSFSR wholesale trade organizations] have already penalized the Kalach plant 21,850 rubles. Other consumers are claiming even higher penalties—77,340 rubles. Do you think that those truly at fault for the failure to deliver will make up for these losses? No. The railroad workers returned only 2,070 rubles, a ruble for each undelivered ton. This is the procedure.

But let us leave the penalty squabble. They will not fill up the counters in the Far East and Siberia. They need sugar there. "Pushers" are going to the plant without waiting for it. The usual nuisances await them here. They get the cars, but what kind? Often with broken glass and ones which previously carried mineral fertilizers or cattle. What can they do? They must take cars such as this. And receipts crop up: "I, P. I. Konovalenko, deputy manager of the economic section of the U. O. P. Production Base in the city of Omsk, have no claims on railroad car No 21498837." A similar document for car No 23528326

was left by a representative of the Novouralsk Cooperative Enterprise, A. Aynishev. Other recipients were compelled to give their "autographs" as well. So the responsibility of the workers at the Kalach station for the condition of the rolling stock is shifted to others' shoulders.

The shortage of products is another serious problem. The warehouse chief's record book contains a long list of telegrams from the destination stations. Nearly every car is lacking two or three sacks of sugar. It was proved in 1988 through the Gosarbitrazh [State Board of Arbitration] that the plant was short 27 sacks (1,350 kilograms) during loading. Considerably more disappeared without a trace. In the period from 21 June to 1 August alone, 62 sacks (3,100 kilograms) had "dissolved." Apparently the plant is taking all the necessary measures.

"We are loading the cars," says V. Buturlakin, "in the presence of a special commission. It is made up of people's inspectors and deputies. An official document is drawn up. A record of it is entered in the railroad waybill. But the efforts of the people's control are of no avail. They are ruined in no time by the commercial document. For only it is recognized as the basic legal document in transport. They have confidence in it. Nevertheless, the commission's dispatch of cars helps us to stop the shortage tied to the plant."

But in the meantime, legal debates are under way and the plunderers of the people's property are lining their pockets. Especially now, under the conditions of the shortage which has also emerged as the fault of the Southeastern Railroad, as we see.

At the Station

23 January: "The situation at the Kalach plant has been corrected," says the deputy general manager of the "Voronezhskharagroprom" Production Association, V. Maltsev. "But we are now concerned about the situation that has taken shape at other enterprises. The Voronezh Division is holding up shipment. Since the beginning of the month it has failed to deliver 13 cars to the Pereleshinskiy Plant, 17 cars to the Ertel Plant, and 21 to the Khokholskiy Plant."

Poor Condition of Rail Sidings Cited

18290065a Moscow GUDOK in Russian 11 Jan 89 p 2

[Article by Ye. Andrushenko: "Not the Main Accesses"]

[Text] Thousands of kilometers of roads are independent of the Ministry of Railways. They belong to various associations, enterprises and organizations.

Let us say, the Odessa alone serves 707 such approaches, about 2000 kilometers long.

It is on enterprise tracks that hundreds of accidents start.

The situation has become so complicated that legal authorities have had to intervene—though not in quite the accustomed way. The transport office of public prosecution took an unprecedented action in investigating the approach tracks.

"We felt," says F. Paukov, deputy transport prosecutor, "that one of us could not cope with this task—interaction with other legal and controlling organs and railroad workers was necessary."

Now, becoming familiar with the heaps of documents, you understand what a gigantic amount of work has been done. The Odessa Transport Prosecutor sent letters to the prosecutors and chairmen of committees of people's control of Vinnitsa, Odessa, Nikolayev, Cherkassy, Kirovograd and Kherson oblasts, with a proposal for collaboration. The checking was carefully thought-out. The Odessa Administration created a special commission under the guidance of A. Samborskiy, first deputy chief of the railroad. In a word, everything was done to make a true investigation of the state of affairs at the approach tracks.

Just what did the many months of comprehensive checking reveal?

The overwhelming majority of approach tracks are in faulty technical condition. For example, the approach track of Shop No 2 of the Nikolayev Reinforced Concrete Items Plant proved to be simply impassable.

At the Odessa plants, No 1 for Building Materials, Centrolit, and the Odesspromstroy and Bread Product combines, cars go off the rails at least twice a week.

This is not surprising. The services answering for the state of the approach tracks are weak: poorly equipped technically, not fitted out with the necessary control-measuring instruments, and indeed the qualifications of the workers themselves are very poor.

What about the cars? Those checking literally clutched their heads when they saw the methods used for unloading. Bulldozers, tractors and grab buckets are in operation; in general, anything that comes to hand. After this unloading, if one can call it that, the cars seem to be crippled.

Many enterprises do not have the necessary storage facilities, the warehouse workers work only in the daytime. The cars are converted to storages on wheels.

The owners of the approach tracks, after the check, had to put their facilities into order quickly. Some even had to close, for example, those belonging to the Nikolayev Dormashina Plant, the Ukroptgalantereya Base, the Odessa Roofing Material Combine, and the Kolkhos imeni Sverdlov in Kirovograd Oblast. Many of those guilty of these violations were made answerable for

disciplinary and material responsibility. The territorial and transport prosecutors announced 236 warnings and brought 146 suits to the people's courts.

We can, of course, rage at the owners of the approach tracks and blame them for indifference toward the matter, and of lack of initiative. In many cases we will be right. Here, however, is the characteristic opinion of A. Palamarchuk, chief of the Chernomorgidrostroy Production-Technical Equipment Trust:

"Our trust already has over 43 kilometers of approach tracks, and in order to keep them in good condition, we need specialized brigades, which we, of course, do not have. In addition, there are not enough turnouts, liners and other parts and special equipment.

"The Chernomorgidrostroy Trust is a powerful enterprise, but what do they say about medium and petty matters? Comrade Levin, chief of the Odessa Intersectorial Railroad Transport Enterprise, thinks that they have absolutely no possibility of high-quality service and repair of the approach tracks. In a word, as was explained, their owners have great difficulties, which no one so far can actually scrutinize."

Therefore, the organizers of the comprehensive check adopted the decision for joint actions by the railroad and departments to put the approach tracks in order. For example, the Chernomorgidrostroy Trust concluded a work agreement with specialists of the Odessa line, which put its track facilities into proper condition. Assistance was given by many other enterprises and organizations.

The result could be seen. Due to reducing the downtime of the rolling stock, thousands of cars were saved, which made it possible to transport an additional large quantity of freight. The cars now break down considerably less often, and traffic safety has risen. Incidentally, information on this experiment from V. Serafimov, Odessa Transport Prosecutor, at the collegium of the USSR Public Prosecutor's Office, aroused keen interest. It was acknowledged that similar work was necessary at other railroads in the country.

Everything of this sort is good, particularly since the prosecutor is not planning to abandon the work begun. One cannot help but see, however: the good results were achieved with the assistance of the controlling bodies and this, whatever way you turn it, is still an administrative path. The economic levers of today's economic mechanism only weakly stimulate the owners of approach tracks to put order into the situation.

It is even proposed that all the approach tracks in general be turned over to the Ministry of Railways, they say, and only this measure can bring them out of a deplorable situation. This is however, as they say, the topic of a separate talk.

Contest for High-Speed Rail Line Plans Announced

18290065b Moscow GUDOK in Russian 11 Jan 89 p 2

[Article: "Holding a Competition"]

[Text] To attract a broad range of scientific-research, design and planning organizations into solving the problem of creating a high-speed passenger mainline, "Center-South," the Ministry of Railways confirmed the conditions for holding a competition to work out new technical means and solutions.

The competition is being held in one round, from 1 January 1989 to 30 April of this year.

The competition is accepting proposals (programs) for scientific-research and experimental design work to solve the problems involved in creating the technical means for a high-speed mainline, selecting and substantiating the position of the route and its parameters, and in locating the installation.

The materials are being presented in two copies, typewritten, and are being sent by registered letter to the All-Union Scientific-Research Institute of Railroad Transport, address: 129851, Moscow, 3 Mytishchinskaya Street, d. 10. The envelope should be directed: "For the competition. High-Speed Passenger Railroad Mainline, 'Center-South'." The date of sending the materials to the competition is the date on the postmark.

The jury for the competition will be summing up the results until 1 June 1989. They will be published in GUDOK.

For the best proposal: a set of documents (engineering plan), containing original data for drawing up working documentation; test or mock-up sample of the product or installation; normative-technical documents for operation of the high-speed mainline; technical design to substantiate the position of the route and devices of the high-speed mainline; awards have been established:

One first prize—20,000 rubles, two second prizes—10,000 rubles each, three third prizes—5000 rubles each and four incentive prizes—3000 rubles each.

Responses to Railroad Safety, Efficiency Complaints Reviewed

18290056 Moscow SOVETSKAYA ROSSIYA in Russian 5 Jan 89 p 2

[Article by Yu. Burov (Kalinin Oblast-Moscow): "Maybe, Probably and Sometime"]

[Text] We reminded Minister of Railways N. S. Konarev of the old rule of the railroaders: "Transport worker, forget three words: maybe, probably, and sometime."

On the night of 3 January, 22 cars of a freight train, including two tank cars of propane, left the tracks near the Chernaya Railroad Yard on a section of the Golutvin-Ryazan Railroad. Fortunately, there were no casualties.

A. A. Godunko, chief of the Section for Supervision Over the Observance of Transport Legislation in the RSFSR Prosecutor's Office, comments:

"I have just returned from the scene of the accident. The Moscow Transport Prosecutor is bringing a criminal action in regard to the accident and is conducting an investigation. Experts will name the precise cause of what occurred, but it is well known already that the cars were damaged because of a broken rail. I cannot help but recall that, not long before the accident, a track-measuring instrument had passed over the section not long before the accident and the track's condition was given a positive evaluation....In general, it should be repeated once more: the overall causes of accidents in rail transport have not been eliminated, and problems of the maintenance and operation of the tracks on many of the republic's mainlines are especially disturbing."

Discussion about the causes of the catastrophe at the Bologoye Railroad yard that occurred four months ago continues at the insistent request of readers. "It has become dangerous to use rail transport and even to live close to the railroad," B. Kosulin writes to the editorial board from Novomoskovsk, Tula Oblast. "Kamenskaya, Arzamas, Bologoye, Sverdlovsk!...Where is the guarantee that the same thing will not be repeated at other places?"

Boris Mikhaylovich, a veteran of rail transport, has given 43 years of service to the mainlines. "At many kilometer posts," he remarks, "'obstacles' have appeared, that is, speed restrictions on train traffic because of track defects. Thousands of damaged cars and hundreds of locomotives in need of scheduled repair are rolling around the country." In analyzing the practice, the author comes to a conclusion: the branch must urgently impose order on its activity. It was such a detailed letter, permeated with anguish.

Together with it was the official answer from MPS that came in answer to the articles, "After the Wreck" (19 August) and "A Number of Bitter Details" (23 August). In the answer, which was signed by Deputy Minister V. Arkatov, those who were punished and demoted for the occurrence were listed....And relative to the fact that all of us are sharply agitated, the following was said literally: "The ministry's collegium has defined a number of supplementary technical and organizational measures for increasing traffic safety in the right-of-way activity and for strengthening the railroads' supply and equipment base and the structural subunits thereof on the high-speed lines, particularly the Oktyabr mainline, which are being made a reality."

A passenger will scarcely be found who is consoled by such vague assurances, which are formulated in general and as a whole. Perhaps, however, beyond words about measures which "are being taken in implementation," the strenuous, exhaustive work of imposing order on the ill-starred section will be initiated. I again set out for Bologoye for an answer to this question.

The accident occurred on one of the sections of the main, as they call it, track. What was its condition? Worthless! Only irreparable harm revealed the truth. In five days prior to the wreck, 13 warnings about speed restrictions were sent out for 368 kilometers of the main track of the Bologoye division. And right away, after the tragedy, the number thereof rose 6-fold(!). Perhaps the track had become worsened so much in a few days? There was a different reason: it had become impossible to conceal the bad sections....The documents are convincing: even earlier, long before the accident, the clearly unsatisfactory state of the line had been a secret to no one. Here are just a few excerpts from the book of the inspector's instructions for the Bologoye Railway Division track.

"Such irresponsibility of the foreman can lead also to the gravest consequences."

"Checks of the tracks and switches are not being performed to the full extent during the inspections that have been conducted. The grossest defects are not being found, and fictitious entries about eliminating them are being made."

Alas, in the column where the inspectors note the results of the last inspection, remarks of "not carried out" often are found.

Incidentally, the accident at the Chernaya Railroad Yard, which occurred 3 January of this year and was reported at the start of this paper, also occurred because of a break in a rail. The case is not accidental for sure. It is another mainline, and the problems are the same.

Eyes have been closed not only to the technical "obstacles" but also to loose discipline and to a lack of order and discipline. In the first half of last year, for example, 534 punishments were imposed for violation of labor and production discipline on workers of the Bologoye Railway Division, and 107 cases of faults in train and switching work were committed, including 83 cases of faults of special recording, which is more dangerous. For the right-of-way district, the disciplinary statistics were even worse.

These are just some fragments of the story before the wreck. There is little today that is consoling. While in May there were 55 so-called unsatisfactory kilometers on the Bologoye division's main track, today there are 21, including 8 repeat cases (there is also this concept). And this was after, according to a positive statement of the ministry, much work had been done on the subdivision's tracks.

Reader G. Ignatyev recalled in his letter that in the middle of the five-year plan, each railroader was reminded emphatically of the "precept": "Transport worker, forget three words: maybe, probably, and sometime." Today, the author laments, this admonition clearly is being ignored by both supervisors and ordinary workers. In confirmation he sent the 7 September issue of the widely distributed newspaper, OKTYABR-SKAYA MAGISTRAL [The October Railroad's Mainline]. In it, editor V. Avilov pointed out the technology of pushing the high-speed ER-200 train through the restricting "obstacles". In violation of the directives, inasmuch as the train was a "prestige" train. In analyzing the situation, the author of the remarks concludes: "We are dumbfounded if we are passengers. We are obvious hostages. Until now we have no appropriate basis for inspection and repair of the high-speed ER-200 train....The superexpress must be laid up."

About two days after the catastrophe I personally asked Minister N. Konarev, who was at Bologoye, whether it would not be desirable at least for the time to begin to stop high-speed traffic on the Oktyabr mainline.

"That question," Nikolay Semenovich then answered, "should not be raised under any circumstances: the reputation of high-speed train runs must not be undermined. Everything that is necessary will be done for their safety."

Now we already know that months later the mainline was far from being in an ideal state. And the workers of the Bologoye Railway Division, in answering the question that was put to the minister, give an answer entirely different from their supervisor's.

"Even if they start to give us the required amount of materials, spare parts, instruments, and machinery," argues deputy chief of the Bologoye Right-of-Way District A. Semenov, "high-speed traffic must cease. Combining it with freight haulage contradicts good sense."

And A. Annenkov, chief of the Bologoye division agrees with him.

Perhaps now, months after the catastrophe, the ministry's assessment of the situation has changed? In order to find out about this, we again met with N. S. Konarev. The talk was detailed and drawn out. The minister's opinion had not changed:

"Of course a separately laid line will increase the reliability of passenger haulage, and work on such a mainline is being performed. But even the current traffic operation has been analyzed, and it has been substantiated most carefully."

After some time a letter of the deputy chief of the MPS's Main Administration for Traffic Safety, G. Kryzhanovskiy, came to the newspaper's correspondents' center. However, it did not contain new information or

convincing arguments. If the correct reproach against USSR Gosplan, Mintyazhmash [Ministry of Heavy, Power, and Transport Machine Building] and Minchermet [Ministry of Ferrous Metallurgy], which each year have not provided for the delivery of rails, machines and everything else that is necessary for safe train traffic, is not counted.

Where is the logic? In a conversation with the correspondent, the minister declared firmly that there is no basis for concern for the fate of passengers on the Oktyabr Railroad. But right after this a letter came, from which it was evident that "traffic safety on the Soviet Union's first high-speed line depends greatly upon the discipline of the supplying ministries." What this discipline is like has already been described by the paragraph above.

Of course, one must not brush aside the MPS's reference to inadequacies in the supplying of its equipment, so it should be legitimate to raise this matter in connection with this question. Why is it that, after the Bologoye catastrophe, many of the transportation supervisors and people in Gosplan and in related ministries and agencies who were obliged to answer for the road's condition were not even afraid of being removed from their posts and expelled from the party?

At the end of August, at a session of the Kalinin Oblast party buro, the causes of the Bologoye catastrophe were thoroughly analyzed. The session's participants recalled bitter episodes, among which was the wreck of a passenger train at Sonkov in 1986, right on the same Bologoye division. And also with victims. There is also the case on the open line at the Berezayka Railroad Yard, where the last two cars were thrown from the track and only by a fortunate circumstance were they again standing on their wheels....Shortly thereafter the Kalinin party obkom, alarmed by the unsatisfactory operating condition of the Bologoye Railway Division and the discipline on it, sent to Minister N. Konarev some letters with a request that measures be taken to insure safety for passengers. The answer was an endless stream of promises....

Of course, people are being confirmed for responsible posts for this purpose, in order to answer fully for the business they are charged with. But as to the severity of the problem, not all of them are inclined to agree with Minister N. Konarev. The position of the Bologoye division workers has already been expressed. And here is the opinion of I. Yershov, chief of the engineering section of the Oktyabr Railroad's track service:

"A check of the main high-speed run has revealed a large number of deviations from the rules for technical operation. These violations harm traffic safety on the mainline."

I. Yershov still has not received answers to the detailed letters which he, disturbed by the fate of the railroad and passengers, sent off to the Main Track Administration and the Chief Inspector of the MPS and to the NII [Scientific-Research Institute] for Rail Transport.

"Obstacles", as we see, have been placed not only on the tracks. Not the least of them proved to be the supervisory officers of various levels. It is not for the newspaperman to judge how dangerous for passengers are the differences of opinion within the branch itself in regard to high-speed traffic. One thing does not provoke doubts: disagreements on this account do exist. And so each time, one involuntarily slows down before entering the railroad ticket office....

MARITIME AND RIVER FLEETS

ERRATUM: Automated Ship Guidance System Sought for Neva Area

[In JPRS-UEA-89-009 of 19 April 1989, in the article "Automated Ship Guidance System Sought for Neva Area," which begins on page 92, the opening sentence of the first paragraph should read as follows: It is seldom that navigation on the Neva goes by without motorships colliding with the Leningrad bridges.]

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